Budget Address

June, 1987

The Hon. J. Gary Lane, Q.C.
Minister of Finance

Province of
Saskatchewan

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Mr. Speaker:

I rise this afternoon to present the first budget of this Progressive Conservative administration, an administration with a renewed mandate from the people of Saskatchewan.

On October 20th, 1986, the people of Saskatchewan voted for a Premier, and a Party, whose first priority is to provide the people of this Province with the means to build a more prosperous future for themselves. Mr. Speaker, the people of Saskatchewan wanted a government willing to look realistically at the challenges which face us.

They wanted a government committed to protecting Saskatchewan families and the social institutions that enhance our quality of life. They wanted a government determined to create a climate in which they can get on with the job of building and diversifying the economy. Mr. Speaker, the people of Saskatchewan are optimistic about the future and that is why they re-elected a Progressive Conservative Government that will continue to build, to protect and to diversify.

Mr. Speaker, our need to build, protect and diversify is underscored by events in the world economy. The recent sharp decline in world prices for our resources and agricultural commodities reminds us of our vulnerable fiscal and economic base. Diversification of the provincial economy will help us in the long term to protect ourselves from these global circumstances. But the dramatic shortfall in government revenues, over the past year, has added to the deficit and put additional strain on our expenditure base.

Faced with this situation we responded, as any Saskatchewan family would, by undertaking a fundamental review of all our expenditures and revenues. Mr. Speaker, we acted to protect our future. We had to be realistic. We had to be fair. Before we asked others to make sacrifices, we had to improve further the financial management of our affairs to protect our social institutions, enhance our quality of life and encourage the new activity that diversification will bring.

Accordingly, this Budget presents the results of our initiatives to reduce significantly the deficit thereby protecting Saskatchewan's future. It also outlines the other major actions that this Government will take:

- actions to address the two central issues facing our farming community — low commodity prices and high farm debt;

- actions to protect and further develop our essential commitments to health, education and employment; and,
- actions to build and diversify our economy to provide new opportunities and jobs for the people of Saskatchewan.

The Challenging World Economy

The world economy is undergoing fundamental change. The huge American trade deficit and the large trade surpluses of Japan and Germany are weakening traditional trading patterns as predatory subsidies multiply and protectionism is enshrined in law.

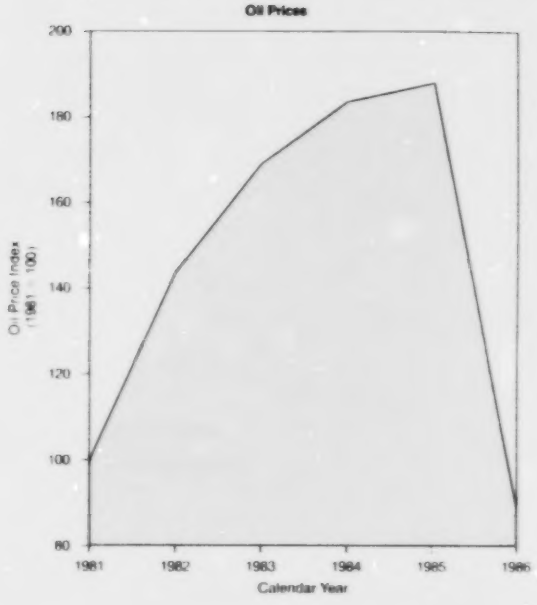
American, European and Japanese governments now provide over $80 billion in subsidies to their farmers. Protectionist trade measures by the United States have already attacked Saskatchewan's lumber, steel, beef and pork industries. Our potash and uranium industries are now being threatened by anti-dumping actions.

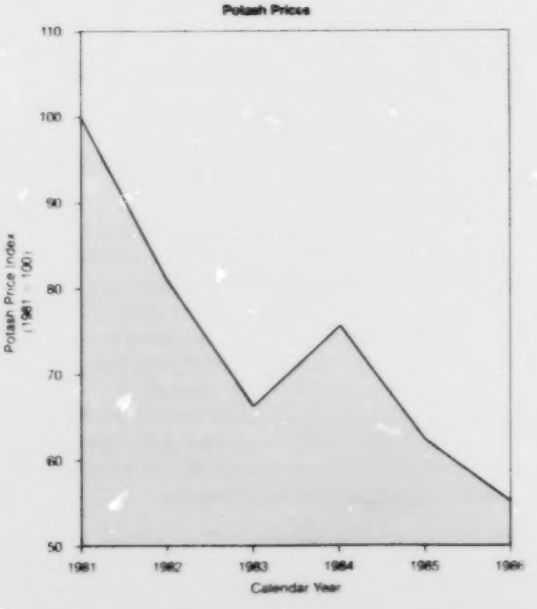
Mr. Speaker, the changes occurring in the international marketplace are having a dramatic effect on the Saskatchewan economy. Wheat prices are at their lowest levels in 40 years. Mineral and oil prices have also dropped dramatically:

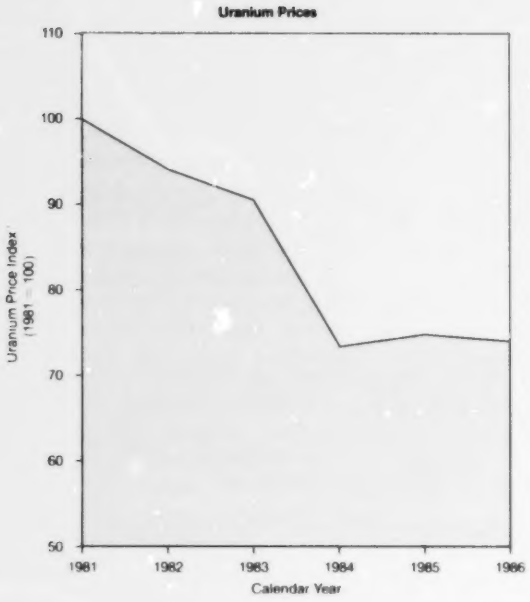
- oil prices fell from a high of $42 per barrel in 1985 to a low of $14 in 1986;
- potash prices fell from nearly $155 per ton in 1981 to under $80 in 1986; and,
- uranium prices fell from $50 per pound in 1978 to $24 in 1986.

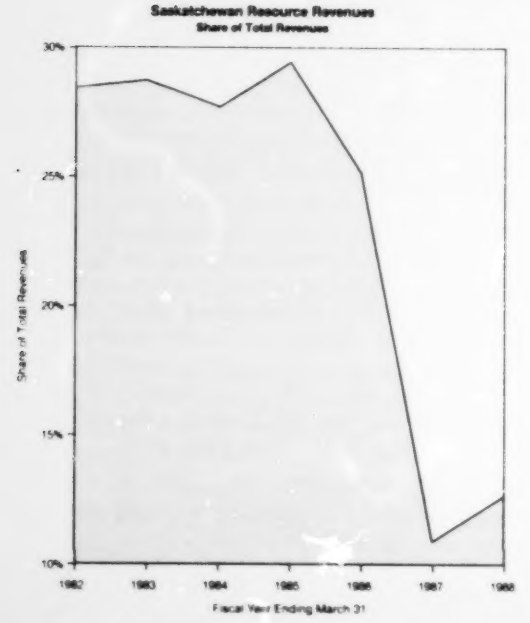
The recent sharp decline in prices for our commodities stands in stark contrast to the 1970s, when increases in prices outpaced inflation and led to expenditure decisions based on the assumption of even higher prices. In 1981, for example, the then Minister of Finance told the international investment community and rating agencies that, by 1986:

- oil revenues would increase by almost 180 per cent, from $530 million to $1.5 billion, but in actual fact, Mr. Speaker, they declined by 60 per cent to $213 million;









- potash revenues would increase by almost 220 per cent, from $185 million to $600 million, but in actual fact, Mr. Speaker, they declined by 80 per cent to $37 million; and,
- uranium revenues would increase by over 350 per cent, from $30 million to $136 million, but the truth is, Mr. Speaker, they declined by 40 per cent to $18 million.

Saskatchewan government resource revenues have fallen by 50 per cent since 1985, declining from roughly one-third of government revenues in 1981 to only 13 per cent today.

Today, the economic outlook for Saskatchewan is difficult. Record world stocks and low prices for most Saskatchewan resource exports are depressing the economic outlook for agriculture, oil, potash and uranium; and significantly lowering expectations for related provincial investment, spin-off activity and government revenues. This uncertain world requires strong action to protect our future.

Fiscal Responsibility

Mr. Speaker, global events beyond our control have led to a sharp decline in government revenues making it apparent that we have to streamline the operation of government to fit the new economic and fiscal realities. We have to protect our future flexibility to deal with changing social and economic development priorities. Significant government economies were needed to reduce the deficit of $1.5 billion projected in March. If we had not acted, Mr. Speaker, the interest payments on our debt would have totalled nearly $1 billion by 1991, exceeding our current total expenditures on highways and education.

Over the past five years, we have provided the people of Saskatchewan with a more efficient and productive government. In 1982, the people of Saskatchewan made it clear that they wanted a government which placed its priority on the delivery of services and programs to those who need them, without waste or duplication. Mr. Speaker, we listened and we acted.

During our first term, we reduced the civil service by more than 1,000 positions through the prudent management of retirements and attrition — a reduction of seven per cent. We introduced new management information technology systems. We established the Saskatchewan Property Management Corporation to centralize the functions of acquiring, financing and managing government land and buildings.

In 1983, we reorganized several government departments and agencies which resulted in administrative savings and a much clearer definition of responsibilities. We created the Saskatchewan Water Corporation, consolidating all water-related activities from four government departments. In 1985, the Corporation was moved to Moose Jaw. In 1986, we announced the decentralization of other government operations: the Agricultural Credit Corporation to Swift Current; the Crop Insurance Corporation to Melville; and, the Department of Science and Technology to Saskatoon. Mr. Speaker, these initiatives have brought the programs closer to the people they serve.

These are a few examples of the priority that this Government places on delivering services to the people of Saskatchewan in an efficient and effective manner. Mr. Speaker, it is through such government cost-saving measures that we were able to save the taxpayers of this Province $300 million during our first term in office.

A New Mandate for the Future

In March, I indicated in my Economic and Financial Report, that we had to be realistic, but fair, in our efforts to control government expenditures. I indicated that we would take significant measures to reduce our own expenditures before we asked others to make sacrifices and only then would we consider raising general tax rates. I specifically announced:

- that we had set as our target the reduction of the civil service by 2,000 positions;
- that government employees would receive no wage increases for at least two years, and as other public sector and Crown corporation labour contracts expired this same wage policy would apply;
- that the Province's funding to third parties such as schools, universities, municipalities and hospitals would not recognize salary increases for the next two years; and,
- that funding increases for 1989 and following years would depend on the strength of the economy, particularly the agricultural economy.

Finally, Mr. Speaker, I indicated that the process would not be easy and that many difficult decisions would have to be made requiring both trade-offs and a spirit of goodwill and co-operation.

We began our review of expenditures by focusing our energies on government-directed programs and services which account for one-third of the provincial budget. Mr. Speaker, we had two reasons for taking this approach. First, we believed that it was important to be fair by reducing our own expenditures before we asked others to make sacrifices. Second, we believed that as a result of these reductions we could significantly improve government efficiency and productivity. Mr. Speaker, the decisions we have taken have produced both significant savings and improved government accountability.

Since March, we have reduced the size of the civil service by over 2,000 positions. Through an early retirement package, 1,200 positions have been vacated and 800 of these have been permanently deleted. An additional 550 vacant positions were eliminated and over 700 positions were deleted as a result of layoffs. These reductions will result in a saving of $200 million over the next five years.

We have eliminated nine government departments and agencies. This will enhance the co-ordination of government decision-making while reducing administrative costs.

We will continue to pursue decentralization initiatives to operate government more efficiently and to make it more responsive to people. Currently, we are examining administrative structures and regional offices with a view to implementing further decentralization initiatives.

We have amalgamated three regulatory functions into the Local Government Board to reduce costs and provide "one-stop shopping". We are moving our various mediation functions, the Provincial Mediation Board, the Rent Appeal Commission and others, into the Department of Justice. The Minister of Justice will be making further announcements respecting alternative dispute resolution mechanisms. Our objective is to relieve individuals from the emotional and financial burden associated with the court system, reduce court case loads and create administrative savings.

We are streamlining the administration of health care, including the amalgamation of the Medical Care Insurance Commission with the Department of Health. We have reorganized our technical institutes by placing them under one management structure. This measure will not only improve the quality of education in our technical institutes, but it will reduce administrative costs.

Opportunities to improve service and achieve savings through private sector delivery will be pursued in such areas as tree nurseries and park facilities. There are many non-essential services which can be operated more efficiently by the private sector with substantial savings to the taxpayer. We intend to pursue these opportunities.

The measures that I have just outlined to improve the financial management of those programs and services which we directly control were not always easy or pleasant, but they were necessary, they were realistic and they were fair. If we had taken no action, government program services and administrative expenditures would have increased substantially this year. But because of our actions, expenditures in this area will be reduced by 2.0 per cent below last year's Budget estimate.

Mr. Speaker, it was also clear that as part of our overall review of government expenditures, we had to examine the two-thirds of our provincial budget which provides funding for third parties and individuals. We reviewed all grants on a realistic, but fair, basis. University operating grants were maintained at last year's level and the Minister of Education asked the University of Regina to eliminate its deficit over the next four years. School operating grants and rural and urban revenue sharing funds were reduced by one per cent. Spending under the Provincial Capital Fund was deferred except for prior commitments. Payments to doctors are being held at actual 1986-87 funding levels and hospital grants have increased by two per cent.

We also undertook an extensive review of the hundreds of smaller third party grants. In most cases, we were able to continue with the previous level of funding support. However, we found that the utilization rate for some organizations had dropped over time, but that their funding level had been maintained. In some cases, we found that different agencies were in direct competition with each other by offering the same public service. In other situations, we found that some agencies were duplicating government programs and services. We also found major inconsistencies between salaries paid by similar organizations to people doing similar jobs. In all of these cases, we reduced or eliminated funding to these third parties. Mr. Speaker, we have been fair in our approach and in most cases we have maintained or increased funding to third parties.

Our expenditures this year on grants and payments to individuals will be 1.4 per cent below last year's Budget estimate.

In summary, Mr. Speaker, through a 2.0 per cent reduction in our own expenditure base and a 1.4 per cent decrease in grants to third parties and payments to individuals, we have been able to reduce overall government expenditures in these areas by $51 million, relative to last year's Budget estimate. This is $680 million less than estimated in March.

Mr. Speaker, in developing this Budget it would have been easy for us to follow Manitoba's recent example by simply raising taxes to meet our expenditure requirements. We have not chosen that course. We have taken a more thoughtful, more time-consuming, but ultimately more responsible approach. We have closely reviewed all government expenditures and the measures we have taken as a result will substantially reduce our requirements for revenue-generating initiatives. This review, however, did not entirely eliminate the need for tax increases.

In considering the taxation alternatives available to the Government, three basic principles guided our deliberations: fairness, economic development and revenue sufficiency. We considered the alternatives with a view to ensuring that incentives to work, to save and to invest would continue and that our competitive position, relative to other provinces, would not be eroded.

We rejected tax measures such as succession duties and payroll taxes because they were either unfair or detrimental to economic development.

Mr. Speaker, the principle of fairness was foremost when I announced that the Flat Tax would increase to 1.5 per cent for 1987. This tax ensures that people pay their fair share.

Tomorrow, the federal Finance Minister, the Honourable Michael Wilson, will present a major tax reform initiative. I expect that his reform proposals for the personal income tax system will focus on the issues that this Government has long advocated:

- a reduction in the number and size of tax preferences;
- a simplified tax structure; and,
- a significant reduction in the marginal tax rates.

These are the very concerns the Saskatchewan Flat Tax addresses.

Members opposite and others have called upon the Government to reinstate the gas tax to ensure non-residents and interprovincial truckers pay their fair share of highway construction and maintenance costs. We considered their advice carefully and, effective June 22, a 7 cents per litre fuel tax will apply to gasoline, diesel and aviation fuels and propane.

This Government does not believe, however, that Saskatchewan individuals, including farmers, should have to pay this tax.

Accordingly, I am announcing today that the gas tax will be rebated to Saskatchewan individuals. Saskatchewan farmers and individual primary producers will be exempt from the tax on their commercial purchases from bulk fuel dealers. All heating fuels will be tax exempt. Mr. Speaker, the residents of this Province will continue to enjoy the lowest gasoline costs in this country. The Premier, as Minister of Agriculture, will be announcing incentives to encourage the consumption and production of ethanol in motor fuels.

Today, I am announcing revenue measures to provide adequate funding for the services the people of Saskatchewan desire:

- effective midnight tonight, the Education and Health Tax will be increased to 7 per cent;
- effective January 1, 1987, the tax rate levied on the taxable paid-up capital of trust and loan companies is increased to 3.0 per cent;
- effective midnight tonight, the Tobacco Tax will be increased by 15 cents per package of 25 cigarettes with similar increases for other tobacco products; and,
- liquor prices will be increased to generate an additional $10 million in revenue annually.

In total, the 1987 tax measures will provide $265 million in additional revenue this year.

During the past few years, the Government has significantly reduced the impact of the Education and Health Tax on Saskatchewan families by exempting such basic necessities as clothing, footwear, heating and electricity. In addition, farmers are exempt from the tax on input costs such as machinery, fertilizer and pesticides. Mr. Speaker, in Saskatchewan these essential goods will remain sales tax free.

In order to build on these previous initiatives, I have one final revenue announcement to make that is of significant benefit to lower income families, especially single parents and senior citizens. Mr. Speaker, to improve the fairness of our tax system and to provide further protection to lower income families, I am pleased to announce an enhancement to and a restructuring of the Saskatchewan Tax Reduction.

There are five components to this new program.

- **First, a $200 Sales Tax Reduction will be introduced to offset the impact of the Education and Health Tax increase.**
- **Second, a $300 tax reduction for homemakers will be introduced.**
- **Third, to protect families with children, a $200 per child tax reduction will also be added.**
- **Fourth, a special provision for single parents will be introduced in recognition of the difficulties they face. This will provide a $500 tax reduction for the first child.**
- **Finally, a supplementary $200 tax reduction for senior citizens will be introduced.**

Mr. Speaker, these benefits will be reduced as income rises in order to target these substantial savings to those most in need. In total, over 330,000 people will benefit from this $51 million program.

These enhancements to the Saskatchewan Tax Reduction complement the Saskatchewan Pension Plan and provide further support to homemakers in recognition of the valuable contribution they make to society. For example:

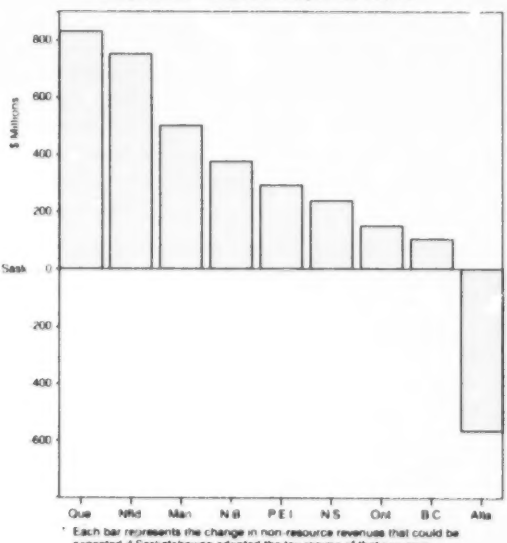
- a married senior couple with a Net Income of $17,000 will receive $350 in tax relief;
- a single mother with two children with a Net Income of $15,000 will receive $650 in tax relief; and,
- a family of four with a Net Income of $20,000 will receive $400.

Mr. Speaker, this is welcome tax relief for Saskatchewan families, single parents and senior citizens. I invite Members opposite and the public to read the two budget papers which describe the effects of the tax changes I have announced.

This Government will continue to ensure that provincial taxes paid by Saskatchewan residents compare favourably to the provincial taxes paid by other Canadians.

Mr. Speaker, if we were to impose Ontario's tax rates on Saskatchewan residents today, taxes would rise by over $150 million. If we were to impose Manitoba's tax rates on Saskatchewan residents today, taxes would increase by over $500 million. If we were to apply Quebec's provincial tax rates on Saskatchewan residents today, taxes would increase by over $830 million. Mr. Speaker, Saskatchewan continues to have the second lowest provincial taxes in Canada.

Interprovincial Tax Burden Comparison, 1987-88*

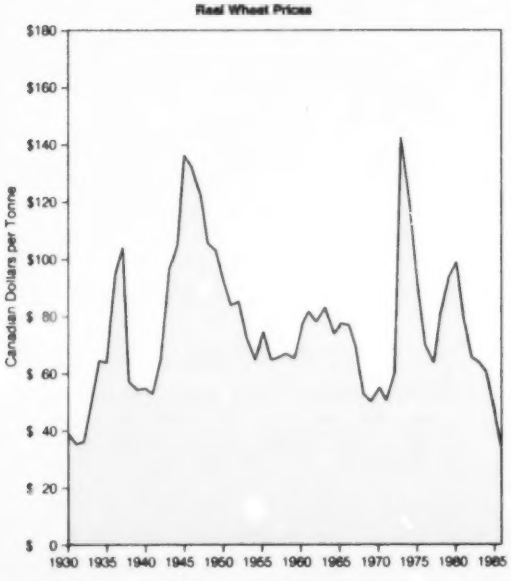


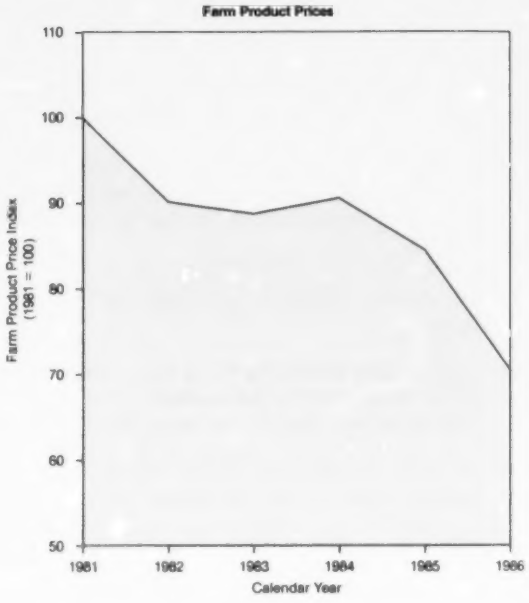
* Each bar represents the change in non-resource revenues that could be expected if Saskatchewan adopted the tax regime of that province.

Mr. Speaker, by reducing government expenditures and by introducing the revenue-generating initiatives just announced, the deficit for 1987 will be reduced to $577 million, a decrease of 60 per cent, over $900 million from the projected deficit of $1.5 billion. This substantially revised deficit target has been achieved primarily through expenditure control. Mr. Speaker, this deficit keeps us on track to balance the budget.

Agricultural Development

Mr. Speaker, the people of Saskatchewan know and understand that our farmers are in serious difficulty. Today, the international grains market is characterized by predatory pricing and subsidized over-production which has resulted in seriously depressed prices. This problem has been compounded in Saskatchewan by the high interest rates and the inflated land prices of the late 1970s and early 1980s. Many farmers are in serious financial difficulty confronted, as they are, with high debt costs and reduced prices for their grains.





The drop in world grain prices has been sudden but the causes have been with us for some time. The belated effects of the "Green Revolution" reduced Third World demand and turned some major importers such as China, India and Saudi Arabia into exporters. European and American agricultural subsidies grew significantly over the past decade and have now escalated into a full-scale grain war over market shares.

Our farmers are caught in the middle. Current world wheat stocks are estimated at 150 million tonnes, the equivalent of two years of the wheat trade. Coarse grain stocks are estimated at approximately 186 million tonnes, double the level of world trade. The price of wheat has been cut in half from $222 per tonne in 1981 to $110 today. Net farm incomes would be substantially below zero without the assistance of government programs such as the Production Loan Program, the federal deficiency payment and the Western Grain Stabilization Program.

Now is clearly not the time for governments to turn away from this important industry. This Government will continue to defend and develop our agricultural interests and to address the two central issues facing our farming community — low commodity prices and high debt.

This Government believes that trade-distorting subsidies in the international arena must be eliminated. Premier Grant Devine has shown foresight and leadership in raising this issue at national and international meetings. In 1985, at the First Ministers' Conference in Halifax, the Premier raised this issue for the first time in a national forum. Recently, he has urged Japanese leaders, American farm leaders and the President of France to eliminate agricultural subsidies.

The federal government must continue to support our Premier's efforts to reduce farm subsidies to allow our farmers to compete fairly. An international process that will lead to the elimination of agricultural protectionism must be introduced quickly and our federal government must sustain our Premier's initiatives for such a process.

Mr. Speaker, we have already seen some concrete results from our Premier's success in bringing agriculture to the forefront of the national agenda — I am speaking, of course, of **the one billion dollars injected into Canada's farm economy by the federal deficiency payment.**

This Government will continue to push for the elimination of grain subsidies in the international arena. However, in the meantime, we are committed to securing essential protection for our farmers. **A second substantial federal deficiency payment of between $1.6 billion and $3 billion is required this year.** Mr. Speaker, the Premier's position was unanimously supported at the Western Premiers' Conference recently held in Humboldt.

The other key issue facing Saskatchewan farmers is the burden of farm debt accumulated through recent droughts, low grain prices and high financing charges. Mr. Speaker, farm debt in Saskatchewan is now estimated to be over $5 billion. It is a serious problem that requires a response.

This Government will be proposing new initiatives regarding alternative forms of farm equity financing for public discussion later this Summer. These initiatives will require the co-operation and participation of the farming and financial communities, as well as the federal government, if we are to resolve this pressing problem.

In our first term in office, we provided substantial relief to Saskatchewan farmers in the face of back-to-back droughts and high interest rates. We provided short-term solutions to immediate and pressing needs. However, the problems confronting our farming community have now changed. They are international in scope and, therefore, more difficult to resolve. Mr. Speaker, solutions to low grain prices and large farm debt cannot be provided by this Government alone.

However, there is much we can do to improve the competitive position of Saskatchewan farmers. We are taking steps to refocus the agriculture budget by moving away from some interest rate protection programs and moving towards increased development initiatives, irrigation enhancements and more effective gathering and distribution of market information.

Although the budget for agriculture is reduced, we believe that now is the time to reallocate the funds in this important area to address the central issues facing our farm community. Accordingly, I am announcing today that the Farm Purchase Program is suspended. The Program will continue, however, to meet its commitments to farmers already participating in this Program. When we established the Farm Purchase Program in 1983, interest rates were at 13 1/4 per cent while farmland prices were at $400 per acre. Since that time, interest rates and land prices have fallen substantially.

The Livestock Cash Advance Program also will be modified to provide cash advances to livestock producers similar to the cash

advances provided to grain producers. This modification is made possible by increases in market prices for livestock.

Mr. Speaker, our approach to agricultural research, trade, development and diversification will be comprehensive:

- we will bring agricultural extension services into the new technological era;
- we will maintain our commitment to the $92 million College of Agriculture building at the University of Saskatchewan;
- we will follow the advice of our farming community and pursue expanded local supplies of farm chemicals, fertilizers and fuels with cost savings to farmers;
- we will continue to support the production of generic agricultural chemicals in Saskatchewan;
- we will be examining initiatives in the areas of inland grain cleaning, feedlot and livestock development, special crop trading and meat packing and processing;
- we will provide almost $30 million to the Agriculture Development Fund, an increase of 28 per cent;
- we will provide an increase of $7 million for irrigation development for a total of $16 million to permit further agricultural diversification; and,
- we will establish an Agriculture Development Secretariat to monitor and promote the interests of the agricultural community in trade discussions and to provide a focus for the diversification of Saskatchewan's agricultural economy.

Protection and Advancement

Mr. Speaker, in our first term in office, we faced a difficult environment with excessive interest rates, a world recession, back-to-back droughts and the commencement of the agricultural and resource downturn.

This Government acted with common sense and care. Mr. Speaker, we introduced:

- the Mortgage Interest Reduction Plan;
- the Saskatchewan Pension Plan;
- the Farm Production Loan Program;
- the Seniors Citizens' Heritage Program;
- the Saskatchewan Student Loan Program;
- an enriched Day Care Program; and,
- emergency drought assistance.

Mr. Speaker, these actions protected Saskatchewan people in difficult times. They addressed immediate and pressing needs.

This Government remains committed to the protection and advancement of the people of Saskatchewan and we will act when and where necessary to offset economic hardship.

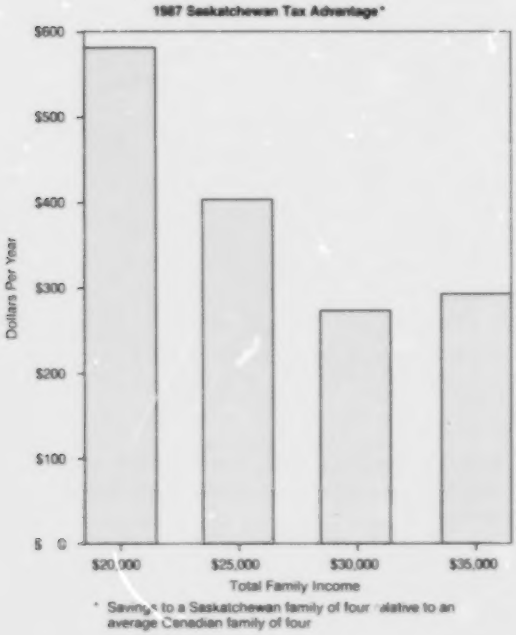
This Government introduced the Mortgage Interest Reduction Plan to protect Saskatchewan families against high interest rates. We also introduced measures to ensure that lower income Saskatchewan residents pay less tax than elsewhere in Canada. We have already exempted virtually all essential goods from the sales tax. This Budget provides further relief by enhancing the Saskatchewan Tax Reduction which will result in an actual decrease in taxes for many lower income families.

Mr. Speaker, I am pleased to announce that application forms for the Senior Citizens' Heritage Program will be distributed over the course of the next week. This Program will put approximately forty million dollars into the hands of 107,000 senior citizens.

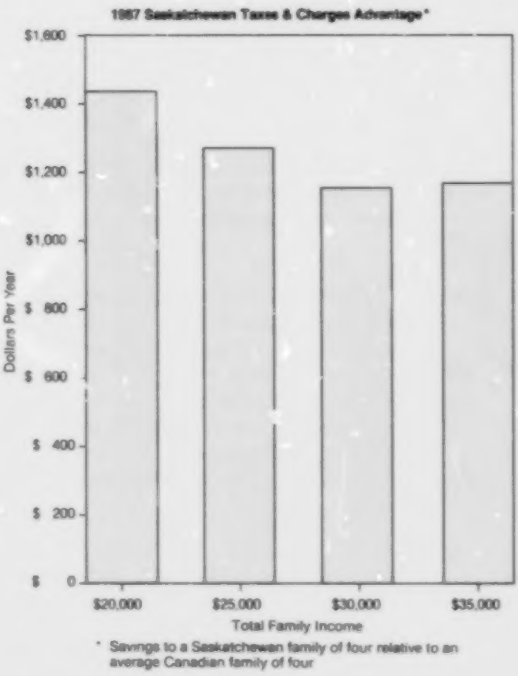
In recognition of the growing number of working families, I am pleased to announce a $500,000 increase in day care funding for 225 new spaces. Since 1982, the number of spaces has been increased by 53 per cent; expenditures have increased by $4.7 million, or 52 per cent.

This Government has consistently acted to protect the people of Saskatchewan. I invite the members of this Assembly to review the interprovincial comparison of taxes and charges contained in this document. A

Saskatchewan family of four with an annual income of $20,000 will now pay almost $600 less in taxes than the average Canadian family with a similar income. At $35,000 per year, a Saskatchewan family will now pay $300 less in taxes than the average Canadian family.



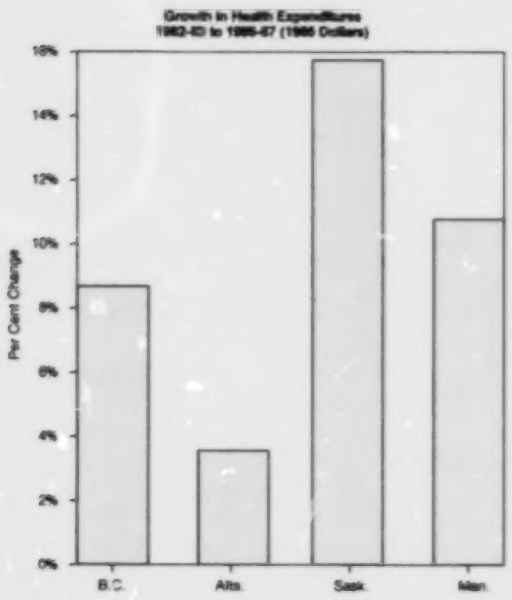
Saskatchewan families continue to pay the lowest overall charges in Canada for such essential living expenses as automobile insurance, electricity, home heating and telephone service. When these charges are combined with taxes, a Saskatchewan family of four with an annual income of $20,000 will now pay $1,400 less than the average Canadian family at that income. A Saskatchewan family with an annual income of $35,000 will pay $1,100 less than the average Canadian family.

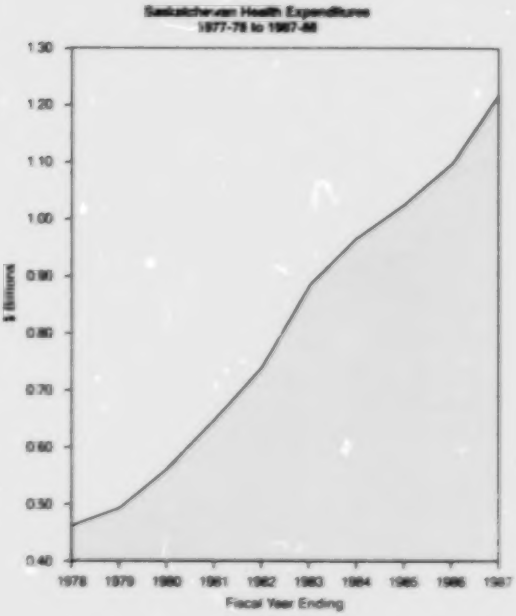


Protecting Medicare

Mr. Speaker, 1987 is the 25th anniversary of Medicare in Saskatchewan. We have seen many changes over the years. In 1962, the budget for health care was $47 million; this year the budget exceeds $1.2 billion, a twenty-five fold increase. In 25 years, Medicare has become a national program with slightly different characteristics in each province.

Today, every province faces the challenge of protecting Medicare in the face of spiralling costs. For example, Ontario is cutting the number of medical residents in teaching hospitals by 15 per cent. Manitoba is reviewing the process for setting the physician fee schedule, has cancelled opthalmology training, has increased its drug plan fees and has closed hospital beds. Alberta has delayed the opening of the Peter Lougheed Hospital in Calgary, has deinsured certain benefits, has begun means testing of the Alberta Aids to Independent Living Program and has increased health premiums by almost 29 per cent.





I bring these examples to the Assembly's attention because protecting Medicare is a priority for this Government. Mr. Speaker, Medicare must be safeguarded so it can provide basic, high quality health care for today and for tomorrow.

Mr. Speaker, to protect Medicare, changes will have to be made. We are making the difficult but necessary decisions to ensure Saskatchewan has the finest health care system into the next century.

This Government has been proud to support Medicare through the expansion of programs and the construction and rejuvenation of hospitals and nursing homes. Our health expenditures have risen 63 per cent over the past five years.

The people of Saskatchewan deserve the highest quality of care available. Achieving this objective requires the combined efforts of the entire health care profession and all Saskatchewan people. In spite of substantial expenditure increases in the health care field, particularly over the last five years, it is becoming increasingly clear that the continued application of large amounts of funds is not enough.

The health care sector is beset by structural and systemic problems which prevent us from delivering the best health care possible. Structural problems include a disjointed, layered system, built up over the years through a simplistic add-on mentality. We have a system that lacks adequate accountability and performance standards, a system that encourages excessive utilization and high administration costs at the expense of patient care. Many health care professionals believe that the system does not fully utilize the skills they have to offer.

Left unattended, these problems will weaken the health care system and diminish the quality and accessibility of the care we have all come to expect. We cannot and will not let this happen. We must act now to protect and improve our health care system for the benefit of future generations.

Mr. Speaker, health administrative costs are escalating dramatically. Today, there are about 500 separate boards managing various components of the health care system. This administrative structure directs funds away from patient care. At the same time, we have in place open-ended funding mechanisms.

Saskatchewan has 6.7 acute care hospital beds for every 1,000 residents. This is 31 per cent above the national average and the highest in Canada. Yet, waiting lists for elective surgery in Saskatoon have doubled over the past five years, while beds in our smaller hospitals remain underutilized. Mr. Speaker, it is clear that Saskatchewan does not have a hospital bed shortage but, rather, a serious utilization and distribution problem. The uneven distribution of physicians between rural and urban areas further compounds the problem.

The present system can also cause the excessive utilization of physician services and medical procedures. In recognition of these difficulties, the Government has agreed to undertake a joint study with the Saskatchewan Medical Association to examine the utilization of physician services.

A final concern is the limited accountability of the health care system which focuses pressure for funding almost solely on the provincial government. If we are to protect the people of Saskatchewan and guarantee quality accessible care, this system must become more responsible for the dollars it spends.

We intend to improve the health care system by addressing these problems. We intend to move toward a regionalized integrated health care system which is more efficient and streamlined, more responsive and accountable:

- we intend to redefine the mandate of rural hospitals to accommodate the needs of the communities they serve;
- we intend to revitalize regional facilities and, where appropriate, reduce duplication of services in cities;
- we will assess the ratio of spending on health care administration to spending on front line patient care; and,
- we will also decentralize the decision-making process to ensure that all participants have a stake in the performance of the system, making it more responsive to the needs of the people.

The Minister of Health will soon begin an extensive consultation process to discuss how we should structure the new regionalized health care system.

In addition to establishing a long-term strategy to improve essential health services, this Government has examined the performance of our supplementary health care programs. Mr. Speaker, these programs must be restructured in the face of sharply rising costs and the competition for funds for emerging social problems such as drug and alcohol abuse.

Drug Plan

Mr. Speaker, the cost of the Saskatchewan Drug Plan increased from $16 million in 1975 to $83 million last year, an increase of over 400 per cent. In order to curb this trend, a deductible system similar to the Manitoba drug plan will be introduced by the Saskatchewan Prescription Drug Plan, effective July 1.

As announced by the Minister of Health, families and individuals will be reimbursed for 80 per cent of their prescription costs after paying for the first $125. The deductible will be $50 for single seniors and $75 for senior families. People who require long-term prescription drug treatment to control or combat diseases such as cystic fibrosis, diabetes and tuberculosis will experience no increase in costs. Nursing home residents will continue to pay only the prescription dispensing fee. Welfare recipients will continue to pay a minimal dispensing fee, as they have in the past.

Dental Plan

Since the Saskatchewan Dental Plan was established in 1974, the number of dentists in the Province has increased 46 per cent and employer-sponsored dental plans have become common. Mr. Speaker, these changes have prompted us to modify the Saskatchewan Dental Plan.

Effective September 1, the Dental Plan will be delivered through dental offices. The adolescent component of the program is to be eliminated. However, full coverage will be maintained for all children aged 5 to 13. This provides for the most effective targetting of funds by ensuring that correct dental hygiene practices are established at an early age. In addition to improving the quality of dental care, one of the objectives of these changes is to encourage more dentists to establish in rural areas.

New Priorities in Medicare

Mr. Speaker, we cannot expect the current structure of Medicare to survive without changes. Some would argue that we should not change the present system. Mr. Speaker, they are not realistic. The Medicare system must become more flexible, it must be prepared to deal with new issues, new illnesses and new problems. It must be prepared to adapt to changing priorities and to reallocate its financial and personnel resources accordingly.

The problem of substance abuse is of growing concern among our young people and their parents. **I am pleased to announce that we will be providing $13.2 million this year to the Saskatchewan Alcohol and Drug Abuse Commission, an increase of 69 per cent.**

This will include:

- **an enhancement of $3.2 million to programs that deal with the problem of substance abuse among adults and youth; and,**
- **funding of $1.5 million for the Whitespruce Drug and Alcohol Treatment Centre near Yorkton, Canada's first specialized youth treatment centre for substance abuse.**

Mr. Speaker, this Government will respond to the growing problem of AIDS. Particular emphasis will be put on educational programs. **As a first step, we sponsored The Symposium on AIDS Education and Prevention in Saskatoon.**

A further example of the need for Medicare to adapt to changing circumstances is demonstrated by the reappearance of health problems we once thought were solved. For example, new cases of tuberculosis have been reported in northern Saskatchewan. We will be assuming responsibility for the treatment and prevention of tuberculosis in northern Saskatchewan this year.

This Government recognizes the need to provide specialized support and the latest technological equipment to the disabled so that they can enjoy more accessible telephone services. In recent years, SaskTel has provided telewriter services and in-province long distance phone lines for the hearing impaired at a 50 per cent discount in conjunction with the Saskatchewan Hearing Impaired Persons. At the request of hearing impaired individuals for more and better services, **effective August 1, SaskTel will introduce a dramatically upgraded operating service providing:**

- **a message relay service costing $600,000 annually and long distance calls discounted by 50 per cent;**
- **volume control handsets at a 50 per cent discount, at an annual program cost of $250,000; and,**
- **communications aids for vision impaired and physically impaired telephone users, at an annual program cost of $150,000.**

SaskTel also provides a 50 per cent discount to Saskatchewan Aids to Independent Living for the rental of special equipment such as artificial larynges, telewriters, hands-free phones, lightweight headsets and automatic dialers. SaskTel will now absorb the full cost of this equipment and its operation. A surcharge of 15 cents per month on all phone bills in the Province will fund these improved services. I am sure that the people of Saskatchewan will not object to this Abilities Surcharge which will ensure that our disabled persons are given a further opportunity to participate in the activities of our society.

The Saskatchewan Abilities Council is recognized both nationally and internationally for their outstanding achievements. This Government and the Abilities Council believe that the Council is fully capable of operating

many of the services currently provided by Saskatchewan Aids to Independent Living. Therefore, the Government has agreed to transfer certain Saskatchewan Aids to Independent Living services to the Abilities Council.

Mr. Speaker, on the 25th anniversary of Medicare, this Government is determined to protect our health care system. We must adapt our health care system now if we are to maintain high quality health services over the next 25 years. This Government will take the necessary actions to protect Medicare for our future and our children's future.

Education

This Government recognizes that excellence in education is crucial to the future prosperity of the people of Saskatchewan. A well-educated populace is more adaptable and better equipped to deal with the rapid technological changes that shape our social and economic environment. Mr. Speaker, it is for these reasons that education is a priority of this Government.

In the economy of the future, we will be less dependent on our natural resources and more dependent on our intellectual resources. If Saskatchewan is to compete in the world marketplace of new ideas, new skills and new technologies, our educational institutions must become more flexible. They must build upon our strengths and pursue excellence in key areas. Mr. Speaker, we should not get too comfortable with old structures and old ways of doing things. To succeed, we have to recognize that the education system is more than a collection of distinct parts.

This Government recognizes that our educational system must continue to evolve to meet the changing needs of our students. It must be relevant today and tomorrow. We must continue to develop an educational system that stresses life-long learning, quality, accountability, financial accessibility and increased access for rural students. These are important objectives and ones that must be achieved. Mr. Speaker, over the past few months, we have taken a number of important initiatives to ensure that the people of this Province will have an educational system that is capable of delivering excellence:

- to improve policy and program development and management throughout the education system, we have amalgamated the departments of Education, Advanced Education and Manpower and the Saskatchewan Library into a new Department of Education;

- to reduce administrative duplication, develop areas of excellence and focus on skills that are in demand by employers, we have amalgamated the four technical institutes and four urban community colleges into a new Saskatchewan Institute of Applied Science and Technology;

- we have reorganized the 15 community colleges into nine regional colleges which will concentrate on skills training and university extension programs; and,

- we have asked our two universities to commit themselves to the development of excellence and to establish standards by which their performance can be measured.

We have also asked our educational institutions to recognize that they can no longer be all things to all people. Our institutions must develop their particular strengths. They must make the critical and important choice between putting their resources into programs that have the potential to be first rate or into those that will remain mediocre.

This Government established basic objectives for the elementary and secondary school system from the recommendations of the "Directions" study of curriculum and instruction. These objectives include an emphasis on quality instruction, basic skills, life-long learning and respect for the individual student. We established the $275 million Education Development Fund to help carry out the recommendations of the "Directions" Report, to direct additional funds to elementary and high schools for enhanced learning resources, to apply computer technology to education and to implement other programs.

Since 1985, the Government has made available $45 million to the elementary and secondary school system through the Education Development Fund.

I am pleased to announce that this Government is continuing its commitment to a high quality elementary and secondary school system by allotting $14.5 million to the Education Development Fund this year. This funding is over and above the $330 million in operating grants provided to the school divisions in the Province this year and the $31 million in capital assistance for the construction and renovation of schools.

This Government has also launched major initiatives in support of the universities and adult education. Since 1982, funding to the Province's university sector has increased by almost 50 per cent. Part of this increase is due to the University Renewal and Development Fund which has already committed $83 million for a variety of projects, including:

- renovation of historic Darke Hall at the University of Regina;
- construction of a new Administration Building at the University of Saskatchewan;
- purchase and installation of a new computer system at the University of Regina; and,
- construction of a College of Agriculture Building and an Animal Resource Centre at the University of Saskatchewan.

Mr. Speaker, I am pleased to announce today that this Government is continuing to enhance the capital structures of the universities by committing $13 million from the University Renewal and Development Fund this year. This is on top of our commitment to maintain operating grants, totalling $144 million, to the universities at the 1986-87 level.

Since taking office in 1982, this Government has expanded the number of training spaces in the technical schools at a cost of $52 million. This initiative has been highlighted by the opening last fall of the $35 million Prince Albert campus of the new Institute of Applied Science and Technology and a new campus in Regina.

This Government is also sensitive to the need to improve students' financial accessibility to post-secondary and adult education. Our students can receive up to $3,000 per year from the Saskatchewan Student Loan Program in addition to assistance available through the federal program. Interest rates on student loans have been written down to six per cent for three years. Enriched assistance is now available for single parents and loan criteria have been relaxed for students whose parents are farmers or owners of small businesses. This year, we will convert bursary assistance to loans which are forgiveable upon the student achieving successful academic performance.

Mr. Speaker, this Government is proud of its record of success in providing financial support to students. Since 1982, the number of students receiving assistance for post-secondary education and the amount of assistance provided have almost tripled. This year, the Government will provide nearly $14 million of direct assistance and $32 million of loans to students. These loans were not available prior to 1982.

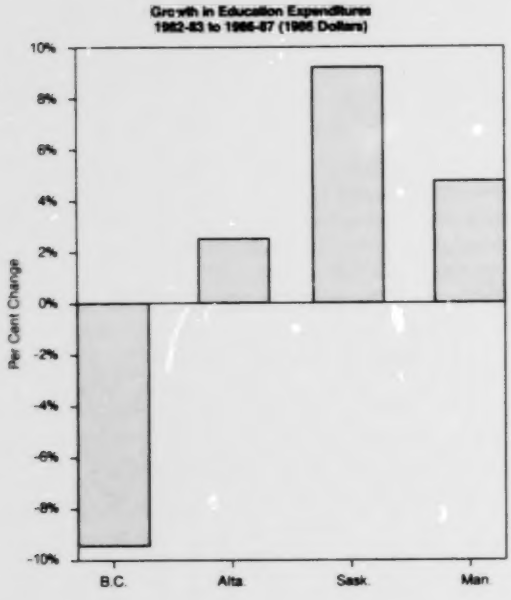
Over the past four years, the Opportunities program has created jobs for university, technical institute and high school students. The Government, in partnership with employers, has provided students with valuable work experience and assistance in financing their education. Opportunities '87 will create over 4,300 jobs for students, with priority given to work experience related to a student's course of study. In addition, our $4.3 million Summer Student Employment Program will provide 2,500 seasonal student workers with the opportunity to earn money for the coming school year while gaining valuable work experience in government.

In addition to enhancing financial accessibility, we will be undertaking new initiatives to increase educational accessibility for our rural students:

- this year, planning will begin for the inauguration in 1988 of an educational television network designed to deliver adult education programming;

- the Government will establish a new $3.2 million Education Outreach Fund for the teaching of university and institute courses in smaller centres;
- Regional Community Colleges will become the vehicle for adult education and skills training in rural Saskatchewan; and,
- the Prince Albert campus of the Institute of Applied Science and Technology will deliver post-secondary courses at satellite centres throughout northern Saskatchewan.

This Government is proud of its record in education over the past five years. Since 1982, funding to our K to 12 and post-secondary system has increased by almost $260 million or 48 per cent. Mr. Speaker, the new initiatives and funding support that I have announced today reaffirm this Government's commitment to excellence in education.



Economic Diversification

Mr. Speaker, the people of Saskatchewan have always been willing to tackle difficult challenges with the understanding that they could not stand still for the future.

Saskatchewan people know that, for the Province to prosper, we must diversify our economy. Diversification not only affords the best protection against global economic uncertainties and the instability of resource markets but also provides new economic opportunities, jobs and an improved quality of life.

In our first term, a start was made on building a new economic future for the Province. Mr. Speaker, through our activities to build on our natural strengths, economic diversification initiatives are now underway throughout the Province, including:

- the construction of Canada's first heavy oil upgrader in Regina;
- the construction of a new paper mill in Prince Albert;
- the construction of a new facility to manufacture recreational vehicles at North Battleford;
- the expansion of meat processing facilities at Intercontinental Packers in Saskatoon;
- the construction of a new hotel and convention centre in Regina;
- the construction of a new processing plant in North Battleford;
- the construction of the Rafferty and Alameda Dams, the Shand Power project; and,
- expanded irrigation development around Lake Diefenbaker.

These projects and many others throughout the Province have all created new economic opportunities, jobs and related economic spin-off activities for the people of Saskatchewan.

This Progressive Conservative Government has acted to increase public participation in the economy through such measures as:

- the Venture Capital Program;
- the Stock Savings Plan; and,
- the sale of Sask Power and SaskOil securities.

In response to this economic development program, unemployment has remained well below the Canadian average while incomes, jobs and output have continued to grow.

Diversification of the provincial economy continues to be a central theme of this Government. We remain committed to developing new investment, trade ties and diversification initiatives. Economic diversification does not mean the buying up of assets already at work in the Province. Rather, diversification means building new assets. Mr. Speaker, that is why we developed the **Saskatchewan Builds Program.**

We need to focus our resources towards such areas as food processing, tourism, fertilizer and agricultural chemical manufacturing, special crop production, ethanol production, health services, biotechnology, communications, electronics, information management and trade.

During the past eight months, we have undertaken a comprehensive review of all our economic programs. We have come to appreciate the need to simplify and streamline our operations. As a result of this review, various programs designed to assist economic diversification will be consolidated into an **Economic Diversification and Investment Fund.** This Fund will enable us:

- to improve the co-ordination and strategic application of current economic development funds;
- to enhance our ability to rationalize, alter priorities and, when necessary, develop new program initiatives; and,
- to allocate effectively government resources around current priority areas such as technology research and development, trade and tourism promotion, entrepreneurial growth and other specific industrial sector priorities.

I am pleased to announce that $22 million will be placed in the Fund for 1987-88.

Resource Development

The rich legacy of natural resources which Saskatchewan enjoys provides the people of this Province with a wide range of development opportunities. We have made considerable progress in building on our natural resource strengths. The Regina heavy oil upgrader will change the way we market our heavy oil resources. Upon completion, it will produce upgraded petroleum products from a resource that used to depend solely on the roadbuilding market. Mr. Speaker, we will work with the oil industry and the Government of Canada in heavy oil research and upgrading projects to ensure the continued development of this resource.

In January of this year, we responded to the changing world oil markets by restructuring Saskatchewan's oil royalties. These changes will enable the Province to compete effectively for oil industry investment and jobs. The industry has responded positively to these changes as demonstrated by the June 9 land sale which earned $23.4 million dollars for the Province, almost twice as much in one sale as was generated in all of 1986-87.

We anticipate that a $30 million enhanced oil recovery project in the Swift Current area will proceed. In addition, new deep-well oil discoveries have been made recently in southeast Saskatchewan. Mr. Speaker, this is positive proof of the success of our energy policies.

Earlier this year, we announced a deregulation policy for natural gas to promote economic diversification and self-sufficiency. We introduced a new price and royalty structure. The Government is considering options for further market deregulation of natural gas.

This year marks an important milestone for Saskatchewan's gold industry. In January, the Star Lake Gold Mine poured its first gold bar. It has been almost fifty years since Saskatchewan has seen a primary gold producer operating in this Province.

The relocation of Canpotex and the Potash and Phosphate Institute to Saskatoon from Toronto has made the City of Saskatoon the world's leading potash centre. And, Mr. Speaker, I might add, it was persuasion and not nationalization that brought them to Saskatchewan. Since that time, both agencies have taken significant steps to improve our customers' awareness of the advantages of using Saskatchewan potash in agriculture. Canpotex is now well established as the leading potash supplier to the largest markets in Asia and is a major supplier to Brazil, the largest market in South America. This Government intends to continue working with the potash industry to pursue new opportunities for Saskatchewan in mining research, processing, transportation and market development.

Mr. Speaker, the Potash Corporation of Saskatchewan was created from the revenues generated by our non-renewable resources during the 1970s. The Government of the day, instead of using these monies to invest in new industry and new economic development, took $500 million of those revenues to forcibly acquire ownership interests in assets that were already at work in the Province.

The investment made in the Potash Corporation of Saskatchewan has not only failed to produce a decent rate of return, it has become a financial drain on the Government and the people of Saskatchewan. Mr. Speaker, by 1986, total losses had exceeded total profits. We had to take action. As a first step, we implemented a major corporate restructuring in the Potash Corporation of Saskatchewan. We reduced staff and we brought in a new management team to turn the Potash Corporation of Saskatchewan around. The Government is considering a number of options, including writing off the Corporation's liabilities of $800 million. This would provide the Corporation with the flexibility necessary to restore its financial affairs to a healthy balance. We must review all the alternatives available to us to revitalize the potash industry in Saskatchewan. We expect to have more to say on this matter later in this Session.

Community and Small Business Development

This Government has taken steps to assist smaller communities in rural Saskatchewan to identify and pursue local economic development opportunities. For example, in last year's Budget, I announced that financial assistance would be made available to municipalities interested in establishing Community Development Corporations. Recently, the Minister responsible for Rural Development announced the establishment of our first Rural Development Corporation. Mr. Speaker, the Poplar Hills Rural Development Co-op will encourage job creation in six rural and urban municipalities in the southwest corner of the Province.

Today, I am pleased to announce that we will be taking another important step to build on our small business initiatives. We will establish an **Entrepreneur Institute** as a means to diversify the economy, establish new enterprises, develop business opportunities and create jobs. We will consult with business people, organizations and educational institutions to develop a consensus on the form the **Entrepreneur Institute** should take.

The Government is committed to the continuing development of Saskatchewan's tourist industry. The tourist industry brings almost $1 billion annually into our Province, but there is much more we can do to develop our potential as a tourist destination. Through TISASK, the tourist industry and the provincial government have co-ordinated their efforts to attract new visitors to our province with impressive results. However, we must continue to develop the skills of employees in the tourism and hospitality industry. Accordingly, the Government, in partnership with the hospitality industry, will establish a **Tourism and Hospitality Institute** to bring a new level of professionalism to the industry to enhance our competitive position in the tourism marketplace.

Manufacturing and Processing

Mr. Speaker, since 1982, we have achieved some significant progress in agricultural manufacturing and processing. For example:

- Intercontinental Packers in Saskatoon is in the midst of a $24 million expansion of its plant and is aggressively marketing gourmet meat products in the United States;
- the Gainer's plant in The Battlefords will create up to 185 new jobs and provide an annual payroll of $3.5 million to the community; and,
- Thomson Meats in Melfort has completed a major expansion.

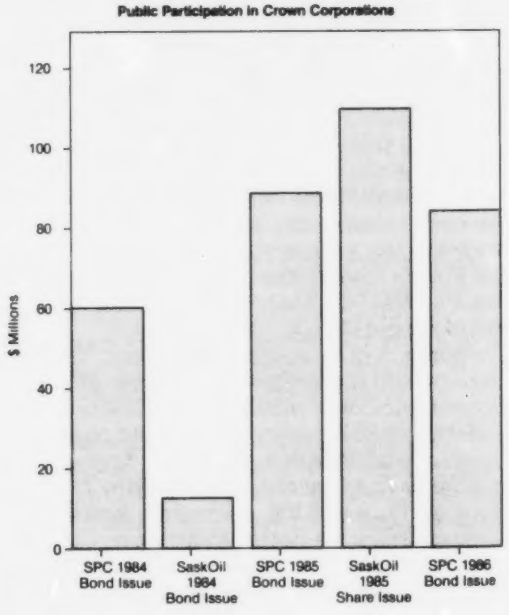
New manufacturing and trade opportunities have also been created in other industrial sectors. For instance:

- Canapharm, in Wolseley, now manufactures intravenous solutions for the health care industry;
- Marubeni-Hitachi will build an electrical turbine generator plant in Saskatoon to supply the Shand Power project and other customers — it will be the first Marubeni-Hitachi manufacturing plant outside Japan;
- Vanguard Industries is producing recreational vehicles in The Battlefords;
- Hi R Door will soon be manufacturing insulated doors in the same industrial park;
- Phillips Cable is producing electrical cable at a new plant in Moose Jaw to serve the prairie and United States markets;
- Weyerhaeuser Canada is building a $250 million paper mill in Prince Albert;
- Northern Telecom recently consolidated its fibre optics manufacturing and research in Saskatoon; and,
- Saskatoon has become a high-tech centre within the Province attracting new high-tech research and business projects — total sales of Saskatchewan high-tech goods and services have grown to over $500 million from just $81 million in 1982.

Public Participation

Three years ago, this Government announced the establishment of a Venture Capital Tax Credit Program to encourage investment in new manufacturing and processing activities. Last year the Program was expanded to encourage economic development in the smaller centres around the Province. Mr. Speaker, I am pleased to report to this Assembly that the Venture Capital Program has encouraged the investment of more than $50 million in over 100 new businesses in our Province. These are new businesses creating new jobs in communities all over Saskatchewan. Mr. Speaker, this Government will continue to encourage Saskatchewan people to invest in the Province and we will continue to use the tax system to encourage them to invest.

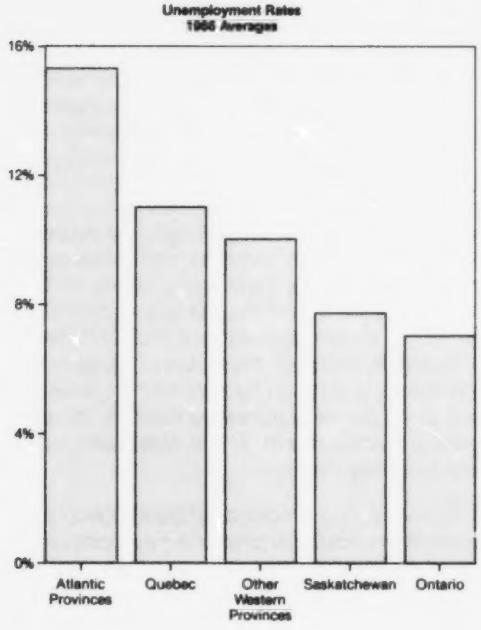
As part of last year's Budget, I announced the introduction of two new tax initiatives to encourage investment in Saskatchewan. Through the Stock Savings Plan, more than $17 million has been invested in Saskatchewan-based public companies operating in a variety of industries including oil and gas, precious metals and the financial sector. The people of Saskatchewan will soon have an opportunity to invest in a new share offering of SaskOil under the Stock Savings Plan and other initiatives are being considered.



We also extended an invitation to employees to invest in Saskatchewan through the Labour-sponsored Venture Capital Tax Credit Program. This program provides the opportunity for employees to invest in small and medium-size Saskatchewan businesses.

Employment Policy

Over the past five years, Saskatchewan has maintained one of the lowest unemployment rates in Canada despite the difficulties faced by our agricultural and resource industries. In 1986, our average annual unemployment rate was 7.7 per cent, almost 2 percentage points below the national average. This is in large part attributable to the success of our economic development initiatives and other employment generating activities such as the Home Program. The Home Program has succeeded in generating employment for many Saskatchewan workers. By April 1988, the Program is expected to stimulate almost $850 million of new investment in the Province while creating 19,000 jobs.



We will continue with our policy of encouraging economic diversification to create new jobs. We will also continue to provide opportunities for people with special needs. Mr. Speaker, when we came to office, we inherited an outdated welfare system that offered no hope. It encouraged dependency and abuse, resulting in escalating costs.

In 1984, we began the process of welfare reform by reducing dependency through the development of training programs and employment alternatives that encouraged people to work.

Saskatchewan was the first province to provide welfare recipients with training and employment opportunities. The Saskatchewan Skills Development Program has provided educational upgrading and training for 8,700 people. More than half of the Program trainees have been single parents and they have received special allowances to cover child care costs and incidental expenses relating to their participation in the Program. Mr. Speaker, we will continue to invest in their future. This year we have committed $6 million toward educational upgrading of social assistance recipients.

In 1986, Saskatchewan signed a federal-provincial agreement to provide welfare recipients with valuable on-the-job training and work experience. The Saskatchewan Employment Development Program has provided jobs for 7,000 welfare recipients, approximately one-third of whom were single parents. Based on our success to date, I am pleased to announce that $13.8 million will be provided in the coming year to continue these efforts. This is another example of our commitment to help individuals who want to become self-sufficient members of their communities. Saskatchewan's support programs for single parents are nationally recognized and other jurisdictions have shown great interest in our initiatives.

Earlier this year, the Government continued its reform of the welfare system by initiating new work training projects in Saskatoon and Prince Albert. The project in Prince Albert is managed by Par Industries, a non-profit corporation with

an impressive record of employing disadvantaged people. This new initiative is already paying dividends by re-integrating welfare recipients into the workforce.

The welfare reform initiatives undertaken by this Government have now reduced social assistance costs by $50 million from what they would have been under the previous Government's system. These savings have been reinvested to provide meaningful training, skills upgrading and employment opportunities. Mr. Speaker, through our welfare reform initiatives, we have taken steps to reduce fraud, to reduce dependency, and to hold out hope for a better life ahead. We have invested in the future of those people who need a second chance by encouraging them to work. Mr. Speaker, this Government will stay the course of welfare reform.

Current Fiscal Situation

Mr. Speaker, I would like to announce the final reconciliation of the 1986-87 fiscal year. Actual revenues for 1986-87 totalled $2,800 million, a drop of $558 million from the estimate of last Spring. Expenditures totalled $4,035 million, an increase of $287 million. As a result, the deficit for the 1986-87 fiscal year will be $1,235 million. As I noted in the March "White Paper", the deficit increase was primarily attributable to sharply declining resource revenues and the concurrent demand for increased expenditures.

In the March "White Paper", I also noted that, if no changes were made, the projected deficit for 1987-88 would reach $1.5 billion. I announced at that time the Government's intention to trim that deficit figure to $700 million. A rigorous review of government spending activities and increases in certain charges and taxes have reduced that figure to $577 million.

Total government expenditures for 1987-88 are forecast at $3,780 million, an increase of 0.9 per cent over 1986-87 estimated expenditures of $3,748 million. The revenue forecast for 1987-88 is $3,203 million, a decrease of $156 million from the last year estimate. Compared to actual 1986-87 experience, expenditures in 1987-88 will decrease by $255 million, or 6.3 per cent, while revenue will increase by $403 million, or 14.4 per cent, from all sources including Equalization.

Capital Financing Requirements

The 1987-88 capital financing requirements are estimated to total $1,535 million of which $958 million will be for the purposes of Crown corporations and $577 million will be for government purposes. Debt retirement is expected to amount to $670 million resulting in an increase in public borrowing of $865 million in 1987-88.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at $120 million leaving $1,415 million to be raised in various capital markets during 1987-88.

Conclusion

Mr. Speaker, improving the financial management of government and diversifying the economy to protect our future will be a challenge but the people of Saskatchewan have faced many challenges before. The people of this Province came from all parts of the globe but they shared a common purpose to link their isolated communities together. They shared a vision that together they could overcome the challenges of geography and climate to create a unique way of life.

The early pioneers settled a vast, fertile area and in so doing they built the first schools, hospitals and roads. Later generations built telephone, power and natural gas networks which now extend throughout Saskatchewan. Mr. Speaker, many of these activities were undertaken in difficult financial and economic times but they were achieved through prudent financial management. There was much to be done and they did it.

Mr. Speaker, in the course of building up this Province previous generations have passed on to us many material benefits, but they also have left us with a more important tradition — an innovative approach to getting things done and

a common sense set of values that encourages us to look outward towards the world with a sense of optimism and confidence.

We are building on that tradition. Since 1982, this Government has expanded the natural gas network in rural Saskatchewan. We have extended television services to our smaller communities and we have initiated a five-year program to provide individual line telephone service to subscribers in rural areas. We have constructed new hospitals, nursing homes and schools throughout the Province. This Government is determined to continue to build on its past accomplishments and, like earlier generations, we will also continue to manage the public purse in a prudent manner.

Mr. Speaker, in protecting our social institutions and offering economic opportunity to build for the future we will continue to make a conscious effort to utilize the vision and vitality of the people of Saskatchewan. We will continue to draw upon their desire to encourage initiative, innovation and productive effort. The people of Saskatchewan are builders, not buyers, and the Government they elected in 1982, and re-elected in 1986, shares their vision of Saskatchewan.

Mr. Speaker, the people of Saskatchewan are now anxious to get on with the job of building for the future. In the election campaign last Fall, in the Speech from the Throne and in the March "White Paper", this Government reaffirmed its commitment to work with them to achieve that goal. This Budget is in keeping with that commitment.

1987-88 Budget Summary

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Province of Saskatchewan
Combined Funds
Statement of Financing and Changes in Financial Position
For the Year Ending March 31

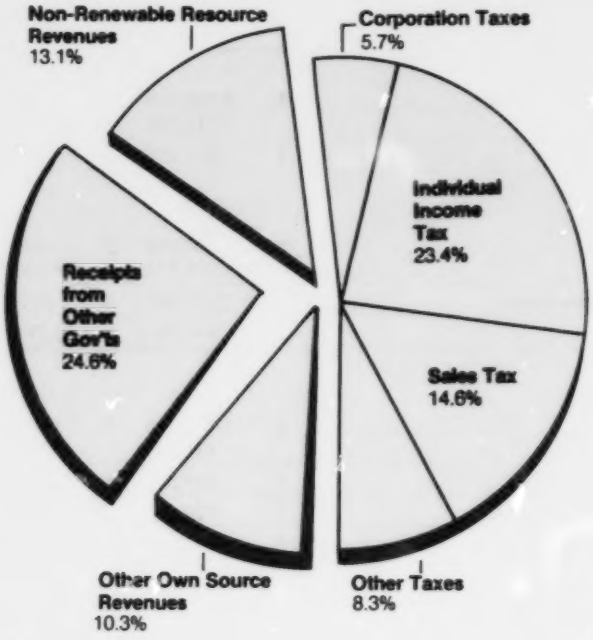
($ Thousands)

	Estimated 1988	Estimated 1987	Actual 1986
Budgetary Transactions			
Revenue	$ 3,202,508	$ 3,358,742	$ 3,049,071
Expenditure	3,779,743	3,747,892	3,627,948
Excess of Revenue over Expenditure	$ (577,235)	$ (389,150)	$ (578,877)
Loan, Investment and Deposit Activity (Non-Budgetary)			
Receipts	$ 700,813	$ 524,780	$ 443,116
Disbursements	1,091,674	1,404,098	1,933,636
Excess of Receipts over Disbursements	$ (390,861)	$ (879,318)	$ (1,490,520)
Net Cash (Requirement)	$ (968,096)	$ (1,268,468)	$ (2,069,397)
Financing			
Public Borrowing:			
Proceeds from Debt	$ 1,534,926	$ 1,616,910	$ 2,069,634
Repayment of Debt	670,311	374,877	116,273
Increase in Public Borrowing	$ 864,615	$ 1,242,033	$ 1,953,361
Decrease in Current Assets	$ 103,481	$ 26,435	$ 116,036
Total Financing	$ 968,096	$ 1,268,468	$ 2,069,397

Note: The Combined Funds represent a combination of the Consolidated Fund and the Saskatchewan Heritage Fund. Transactions between the Funds, such as the Dividend from the Saskatchewan Heritage Fund to the Consolidated Fund, are eliminated to avoid double counting.

Province of Saskatchewan
Combined Funds
Estimated Budgetary Revenue

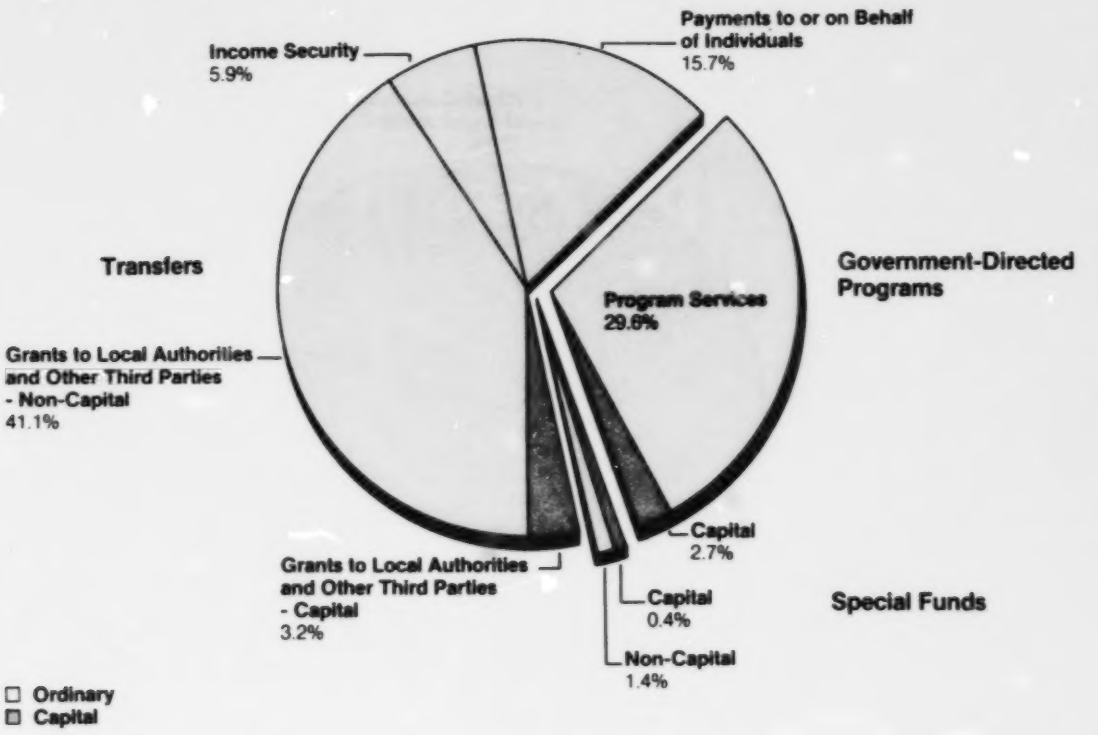
For the Year Ending March 31, 1988



	Amount	Percentage of Total Revenue
	($ Thousands)	
Provincial Taxes		
Corporation	$ 181,900	5.7%
Individual Income	751,500	23.4
Sales	467,300	14.6
Other Taxes	265,945	8.3
Total Provincial Taxes	$ 1,666,645	52.0%
Other Own Source Revenues	$ 329,106	10.3%
Receipts from Other Governments	$ 788,687	24.6%
Non-Renewable Resource Revenues	$ 418,170	13.1%
Total Estimated Budgetary Revenue	$ 3,202,508	100.0

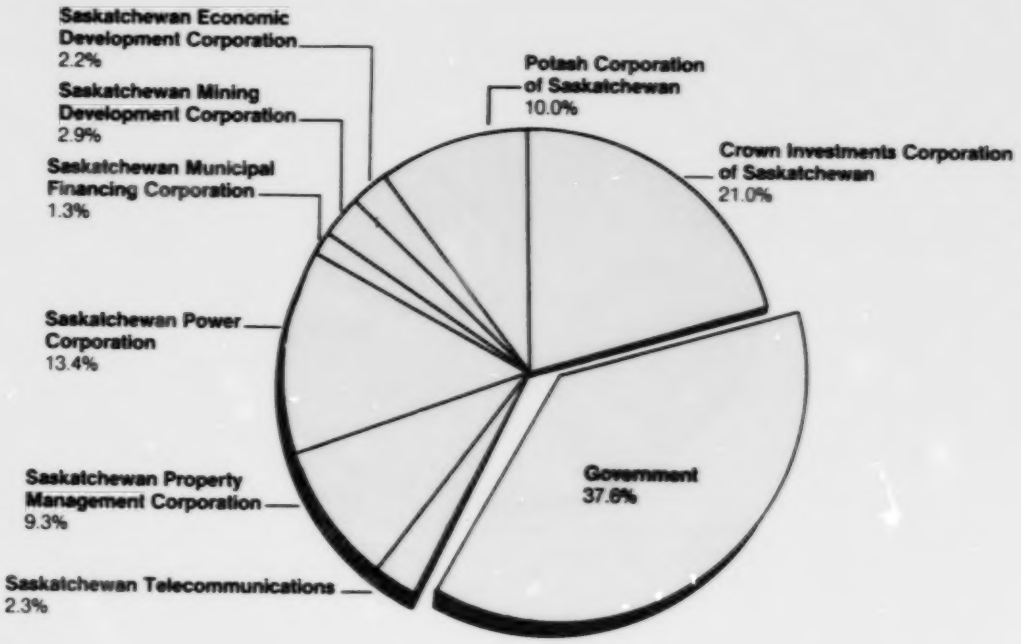
Province of Saskatchewan
Combined Funds
Estimated Budgetary Expenditure

For the Year Ending March 31, 1988



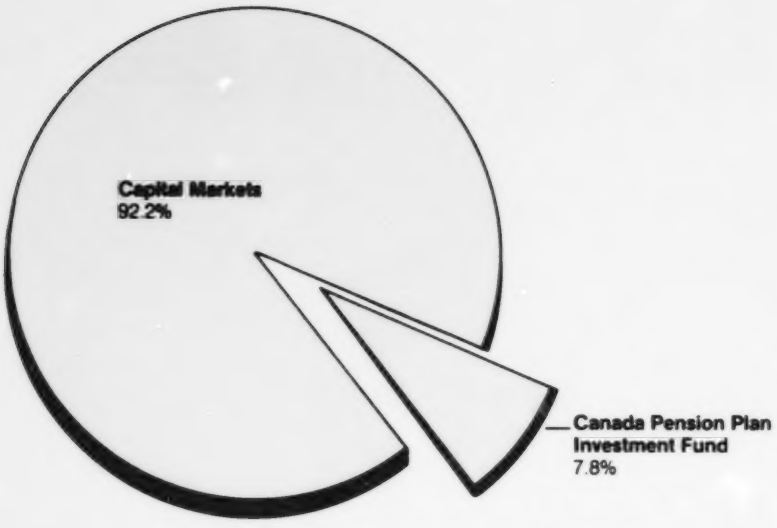
		Amount	Percentage of Total Expenditure
		($ Thousands)	
Transfers			
Grants to Local Authorities and Other Third Parties:			
Capital	$	122,123	3.2%
Non-Capital		1,555,301	41.1
Income Security		222,379	5.9
Payments to or on Behalf of Individuals		590,839	15.7
Total Transfers	$	2,490,642	65.9%
Government-Directed Programs			
Capital	$	103,050	2.7%
Program Services		1,119,706	29.6
Total Government-Directed Programs	$	1,222,756	32.3%
Special Funds			
Capital	$	16,650	0.4%
Non-Capital		49,695	1.4
Total Special Funds	$	66,345	1.8%
Total Estimated Budgetary Expenditure	$	3,779,743	100.0%

Province of Saskatchewan
Estimated Application of Gross Borrowing Requirement
For the Year Ending March 31, 1988


Saskatchewan Economic Development Corporation 2.2%
Saskatchewan Mining Development Corporation 2.9%
Saskatchewan Municipal Financing Corporation 1.3%
Saskatchewan Power Corporation 13.4%
Saskatchewan Property Management Corporation 9.3%
Saskatchewan Telecommunications 2.3%
Potash Corporation of Saskatchewan 10.0%
Crown Investments Corporation of Saskatchewan 21.0%
Government 37.6%

		Amount	Percentage of Gross Borrowing Requirement
		($ Thousands)	
Crown Corporations			
Crown Investments Corporation of Saskatchewan	$	323,100	21.0%
Potash Corporation of Saskatchewan		153,300	10.0
Saskatchewan Economic Development Corporation		33,050	2.2
Saskatchewan Mining Development Corporation		44,000	2.9
Saskatchewan Municipal Financing Corporation		20,000	1.3
Saskatchewan Power Corporation		206,000	13.4
Saskatchewan Property Management Corporation		143,241	9.3
Saskatchewan Telecommunications		35,000	2.3
Total Crown Corporations	$	957,691	62.4%
Government	$	577,235	37.6%
Total	$	1,534,926	100.0%

Province of Saskatchewan
Estimated Sources of Gross Borrowing Requirement
For the Year Ending March 31, 1988



	Amount	Percentage of Gross Borrowing Requirement
	($ Thousands)	
Canada Pension Plan Investment Fund	$ 120,000	7.8%
Capital Markets	1,414,926	92.2
Total	$ 1,534,926	100.0%

1987-88 Budget Detail

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Province of Saskatchewan
Combined Funds
Statement of Financial Position

As at March 31

	($ Thousands)		
	Estimated 1988	Estimated 1987	Actual 1986
Assets			
Current Assets	**$ 76,831**	$ 180,312	$ 206,747
Loans and Advances to Crown Corporations:			
Agricultural Credit Corporation of Saskatchewan	**1,164,488**	1,421,488	1,215,488
Crown Investments Corporation of Saskatchewan	**736,590**	693,490	627,490
Potash Corporation of Saskatchewan	**781,082**	632,782	494,782
Saskatchewan Agriculture and Commercial Equity Corporation	**- - -**	184,436*	- - -
Saskatchewan Economic Development Corporation	**78,697**	45,647	24,647
Saskatchewan Grain Car Corporation	**45,049**	45,049	45,049
Saskatchewan Housing Corporation	**317,304**	317,304	317,304
Saskatchewan Mining Development Corporation	**521,393**	555,056	555,056
Saskatchewan Municipal Financing Corporation	**94,723**	74,723	54,723
Saskatchewan Power Corporation	**2,750,071**	2,573,823	2,310,649
Saskatchewan Property Management Corporation	**302,001**	158,760	- - -
Saskatchewan Telecommunications	**817,815**	783,587	759,870
Saskatchewan Water Corporation	**5,037**	14,876	14,876
Other Loans	**378,238**	342,926	288,831
Investments in Crown Entities:			
Crown Investments Corporation of Saskatchewan	**109,976**	109,976	109,976
Potash Corporation of Saskatchewan	**418,554**	418,554	418,554
Saskatchewan Agriculture and Commercial Equity Corporation	**- - -**	100,000*	- - -
Saskatchewan Mining Development Corporation	**218,700**	218,700	218,700
Investment in Agricultural Land and Related Assets	**283,186***	- - -	159,307
Other Investments	**87,990**	10,407	10,357
Less: Crown Corporation Equity in Sinking Funds	**(424,490)**	(393,650)	(375,235)
Total Assets	**$ 8,763,235**	$ 8,488,246	$ 7,457,171

* In 1987, the Combined Funds were to transfer its Agricultural land holdings to the Saskatchewan Agriculture and Commercial Equity Corporation. This transfer did not take place.

Province of Saskatchewan
Combined Funds
Statement of Financial Position

As at March 31

	($ Thousands)		
	Estimated 1988	Estimated 1987	Actual 1986
Liabilities			
Promissory Notes	**$ 1,423,600**	$ 1,780,600	$ 1,780,600
Treasury Bills	**650,000**	651,000	653,400
Debentures	**8,432,672**	7,210,057	5,965,624
Gross Debt	**$ 10,506,272**	$ 9,641,657	$ 8,399,624 *
Less: Total Equity in Sinking Funds	**(433,976)**	(420,025)	(408,712)
Net Public Debt	**$ 10,072,296**	$ 9,221,632	$ 7,990,912
Amounts Due to Other Crown Entities	**311,507**	311,507	127,071
Other Liabilities	**5,239**	5,239	5,239
Total Liabilities	**$ 10,389,042**	$ 9,538,378	$ 8,123,222
Province's Equity (Net Debt)	**$ (1,625,807)**	$ (1,050,132)	$ (666,051)
Total Liabilities and Province's Equity (Net Debt)	**$ 8,763,235**	$ 8,488,246	$ 7,457,171

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

Province of Saskatchewan
Combined Funds
Statement of Province's Equity (Net Debt)

For the Year Ending March 31

	($ Thousands)		
	Estimated 1988	Estimated 1987	Actual 1986
Total Budgetary Revenue	**$ 3,202,508**	$ 3,358,742	$ 3,049,071
Total Budgetary Expenditure	**3,779,743**	3,747,892	3,627,948
Excess of Budgetary Revenue over Budgetary Expenditure	**$ (577,235)**	$ (389,150)	$ (578,877)
Province's Equity (Net Debt), Beginning of Year	**(1,050,132)**	(666,051)	(65,308)
Equity Adjustments - Net	**1,560**	5,069	(21,866)
Province's Equity (Net Debt), End of Year	**$ (1,625,807)**	$ (1,050,132)	$ (666,051)

Province of Saskatchewan
Combined Funds
Statement of Budgetary Revenue

For the Year Ending March 31

($ Thousands)

	Estimated 1988	Estimated 1987	Actual 1986
Provincial Taxes			
Corporation Capital	$ 51,900	$ 55,900	$ 30,530
Corporation Income	130,000	162,400	129,400
Fuel	142,000	36,500	30,723
Individual Income	751,500	698,800	627,870
Sales	467,300	386,000	374,296
Tobacco	91,000	92,300	70,392
Other Taxes	32,945	28,153	26,424
Total Provincial Taxes	$ 1,666,645	$ 1,460,053	$ 1,289,635
Receipts from Government Enterprises And Other Funds			
Saskatchewan Liquor Board	$ 122,500	$ 240,000	$ 84,000
Other Receipts	5,102	9,943	36,200
Total Receipts from Government Enterprises and Other Funds	$ 127,602	$ 249,943	$ 120,200
Other Own Source Revenues			
Agricultural Lands Revenue	$ 16,840	$ 124,419	$ 21,052
Fines, Forfeits and Penalties	9,837	9,159	7,152
Interest, Premium, Discount and Exchange	20,450	25,968	25,906
Non-Renewable Resources			
- Coal	17,100	16,500	10,688
- Natural Gas	21,500	38,240	13,332
- Oil	309,300	510,540	673,937
- Potash	35,400	60,490	32,592
- Uranium	15,990	33,340	36,269
- Other	2,040	1,900	2,168
Privileges, Licences and Permits			
- Lands, Forests, Game, Fur, Fisheries and Water	13,145	13,740	10,072
- Motor Vehicles	73,500	64,400	60,281
- Other	10,535	10,445	10,294
Sales, Services and Service Fees	50,247	43,822	64,033
Other Revenues	23,690	21,898	19,498
Total Other Own Source Revenues	$ 619,574	$ 974,861	$ 987,274
Receipts from Other Governments			
Canada Assistance Plan	$ 151,681	$ 156,519	$ 149,131
Economic Development Agreements*	1,279	1,365	1,069
Equalization Payments	185,000	(22,913)	(22,913)
Established Programs Financing	400,600	466,023	445,063
Statutory Subsidy	2,180	2,200	2,175
Other Federal-Provincial Programs	39,525	60,807	68,507
Other Receipts	8,422	9,884	8,930
Total Receipts from Other Governments	$ 788,687	$ 673,885	$ 651,692
Total Budgetary Revenue	$ 3,202,508	$ 3,358,742	$ 3,049,071

* This item includes receipts from The Agricultural and Rural Development Act, the Department of Regional Industrial Expansion, and the Economic and Regional Development Agreement.

Province of Saskatchewan
Combined Funds
Statement of Budgetary Expenditure

For the Year Ending March 31

($ Thousands)

	Estimated 1988	Estimated 1987*	Actual 1986*
Agriculture	$ 171,765	$ 231,881	$ 219,515
Consumer and Commercial Affairs	5,509	4,989	5,294
Economic Development and Trade	7,997	9,705	12,417
Economic Diversification and Investment Fund	22,145	24,921	10,053
Education	756,192	753,803	726,469
Energy and Mines	17,882	19,592	35,507
Environment and Public Safety	11,651	12,346	12,152
Executive Council	6,290	6,344	6,672
Finance	138,211	109,161	117,396
Finance - Servicing the Public Debt - Government Share	294,261	200,953	190,322
Health	1,173,471	1,136,685	1,067,419
Highways and Transportation	220,833	213,868	216,548
Human Resources, Labour and Employment	58,933	74,731	61,761
Justice	126,226	107,863	106,298
Legislation	10,270	10,106	10,441
Local Government Board	551	440	417
Parks, Recreation and Culture	78,705	80,035	86,310
Provincial Auditor	3,231	3,507	3,587
Provincial Secretary	2,470	1,058	714
Public Service Commission	10,706	6,625	6,453
Rural Development	54,469	57,704	54,858
Saskatchewan Crop Insurance Corporation	9,931	8,505	18,250
Saskatchewan Housing Corporation	82,484	42,562	33,510
Saskatchewan Property Management Corporation	6,102	---	---
Saskatchewan Research Council	6,443	4,081	6,196
Saskatchewan Water Corporation	12,578	25,930	24,715
Science and Technology	2,783	5,495	3,968
Social Services	378,567	361,417	355,440
Telephones	559	648	659
Tourism, Small Business and Co-operatives	12,191	13,556	10,609
Urban Affairs	94,337	106,843	108,032
Local Government Finance Commission	---	162	416
Supply and Services	---	112,376	115,550
Total Budgetary Expenditure	$ 3,779,743	$ 3,747,892	$ 3,627,948
Nature of Expenditure:			
Ordinary	$ 3,537,920	$ 3,497,542	$ 3,328,894
Capital	241,823	250,350	299,054
	$ 3,779,743	$ 3,747,892	$ 3,627,948

* The 1987 Estimated and 1986 Actual expenditures have been restated to reflect the reorganization of government on a comparative basis to the 1988 Estimates.

Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity (Non-Budgetary)

For the Year Ending March 31

($ Thousands)

	Estimated 1988	Estimated 1987	Actual 1986
Receipts			
Loans			
Agricultural Credit Corporation of Saskatchewan	$ 257,000	$ ---	$ ---
Crown Investments Corporation of Saskatchewan	280,000	188,000	51,500
Potash Corporation of Saskatchewan	5,000	5,000	18,400
Saskatchewan Agricultural Returns Stabilization Fund	---	---	2,350
Saskatchewan Economic Development Corporation	---	---	23,500
Saskatchewan Mining Development Corporation	77,663	---	---
Saskatchewan Oil and Gas Corporation	---	---	25,000
Saskatchewan Power Corporation	29,752	124,826	9,637
Saskatchewan Water Corporation	9,839	---	---
Saskatchewan Telecommunications	772	13,283	7,793
Other	1,228	1,302	145,798
Total Loan Receipts	$ 661,254	$ 332,411	$ 283,978
Investments			
Recovery of Investment in Agricultural Land and Related Assets	$ 1,850	$ 162,681	$ 4,647
Saskatchewan Oil and Gas Corporation	---	---	91,500
Other	---	---	2,546
Total Investment Receipts	$ 1,850	$ 162,681	$ 98,693
Deposits			
Crown Entities	$ ---	$ ---	$ 40,252
Sinking Fund	37,709	29,688	20,193
Total Deposit Receipts	$ 37,709	$ 29,688	$ 60,445
Total Receipts	$ 700,813	$ 524,780	$ 443,116

Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity (Non-Budgetary)

For the Year Ending March 31

($ Thousands)

	Estimated 1988	Estimated 1987	Actual 1986
Disbursements			
Loans			
Agricultural Credit Corporation of Saskatchewan	$ ---	$ 206,000	$ 1,045,645
Crown Investments Corporation of Saskatchewan	323,100	254,000	114,728
Potash Corporation of Saskatchewan	153,300	143,000	160,517
Saskatchewan Agricultural Returns Stabilization Fund	3,000	17,438	22,366
Saskatchewan Economic Development Corporation	33,050	21,000	---
Saskatchewan Mining Development Corporation	44,000	---	48,853
Saskatchewan Municipal Financing Corporation	20,000	20,000	---
Saskatchewan Power Corporation	206,000	388,000	212,507
Saskatchewan Property Management Corporation	143,241	158,760	---
Saskatchewan Telecommunications	35,000	37,000	---
Other	33,540	37,959	306,518
Total Loan Disbursements	$ 994,231	$ 1,283,157	$ 1,911,134
Investments			
Investment in Agricultural Land and Related Assets	$ 600	$ 600	$ 585
Saskatchewan Agriculture and Commercial Equity Corporation	---	100,000	---
Other	77,583	50	240
Total Investment Disbursements	$ 78,183	$ 100,650	$ 825
Deposits			
Sinking Fund	$ 19,260	$ 20,291	$ 20,749
Conditional Receipts	---	---	928
Total Deposit Disbursements	$ 19,260	$ 20,291	$ 21,677
Total Disbursements	$ 1,091,674	$ 1,404,098	$ 1,933,636
Excess of Receipts Over Disbursements	$ (390,861)	$ (879,318)	$ (1,490,520)

Province of Saskatchewan
Statement of Total Debt
As at March 31

	($ Thousands)		
	Estimated 1988	Estimated 1987	Actual 1986*
Promissory Notes (for the purpose of)			
Crown Corporations**	$ **1,106,470**	$ 1,463,470	$ 1,463,470
Government of Saskatchewan	**317,130**	317,130	317,130
Total Promissory Notes	$ **1,423,600**	$ 1,780,600	$ 1,780,600
Treasury Bills (for the purpose of)			
Crown Corporations**	$ **- - -**	$ - - -	$ 2,400
Goverment of Saskatchewan	**650,000**	651,000	651,000
Total Treasury Bills	$ **650,000**	$ 651,000	$ 653,400
Debentures (for the purpose of)			
Crown Corporations**	$ **6,820,109**	$ 5,960,444	$ 5,056,393
Government of Saskatchewan	**1,618,743**	1,055,278	714,362
Other - Federal/Municipal***	**7,150**	7,650	8,184
- University of Saskatchewan	**2,234**	2,249	2,249
- Investment in Agricultural Land****	**184,436**	184,436	184,436
Total Debentures	$ **8,432,672**	$ 7,210,057	$ 5,965,624
Gross Debt	$ **10,506,272**	$ 9,641,657	$ 8,399,624
Less: Equity in Sinking Funds (for the purpose of)			
Crown Corporations	$ **424,490**	$ 393,650	$ 375,235
Government of Saskatchewan	**8,564**	25,561	32,772
Other - University of Saskatchewan	**922**	814	705
Total Equity in Sinking Funds	$ **433,976**	$ 420,025	$ 408,712
Net Debt	$ **10,072,296**	$ 9,221,632	$ 7,990,912
Guaranteed Debt *****	**830,404**	586,475	493,175
Total Debt	$ **10,902,700**	$ 9,808,107	$ 8,484,087

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.
** These enterprises are responsible for the repayment of principal and interest.
*** These obligations represent monies loaned to the Province by the Federal government with the understanding that the monies would be re-loaned to Saskatchewan municipalities under identical conditions.
**** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of Saskatchewan Heritage Fund in 1983-84. Included in this transfer was $184,436,000 of debt which is recoverable from the sale of agricultural land.
***** Applies to government portion only.

Province of Saskatchewan
Gross Debt by Allocation
As at March 31

	($ Thousands)		
	Estimated 1988	Estimated 1987	Actual 1986*
Reimbursable Debt			
Crown Corporations:			
Agricultural Credit Corporation of Saskatchewan	**$ 1,164,488**	$ 1,421,488	$ 1,215,488
Crown Investments Corporation of Saskatchewan	**816,039**	772,939	706,939
Potash Corporation of Saskatchewan	**781,082**	627,782	484,782
Saskatchewan Economic Development Corporation	**122,997**	89,947	68,947
Saskatchewan Government Printing Company	**2,176**	2,176	2,176
Saskatchewan Housing Corporation	**317,304**	317,304	317,304
Saskatchewan Mining Development Corporation	**522,293**	555,956	555,956
Saskatchewan Municipal Financing Corporation	**97,724**	77,724	57,724
Saskatchewan Power Corporation	**2,777,622**	2,601,374	2,338,200
Saskatchewan Property Management Corporation	**302,001**	158,760	- - -
Saskatchewan Telecommunications	**817,816**	783,588	759,871
Saskatchewan Water Corporation	**5,037**	14,876	14,876
Total Crown Corporations	**$ 7,726,579**	$ 7,423,914	$ 6,522,263
Other:			
Federal/Municipal	**$ 7,150**	$ 7,650	$ 8,184
University of Saskatchewan	**2,234**	2,249	2,249
Investment in Agricultural Land**	**184,436**	184,436	184,436
Total Other	**$ 193,820**	$ 194,335	$ 194,869
Total Reimbursable Debt	**$ 7,920,399**	$ 7,618,249	$ 6,717,132
Non-Reimbursable Debt			
Government of Saskatchewan	**$ 2,585,873**	$ 2,023,408	$ 1,682,492
Gross Debt	**$ 10,506,272**	$ 9,641,657	$ 8,399,624

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

** The assets and related liabilities of the former Saskatchewan Land Bank Commission were transferred to the Agricultural Division of the Saskatchewan Heritage Fund in 1983-84. Included in this transfer was $184,436,000 of debt which is recoverable from the sale of agricultural land.

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Province of Saskatchewan
Summary of Economic Indicators

	1982	1983	1984	1985	1986*
Gross Domestic Product - Current Market Prices					
- Millions of Dollars	14,975	15,996	17,046	17,873	17,359
Annual Rate of Change - Percent	1.3	6.8	6.6	4.9	-2.9
Per Capita - Dollars	15,295	16,099	16,929	17,561	17,002
Gross Domestic Product - Constant 1971 Prices					
- Millions of Dollars	5,174	5,329	5,378	5,572	5,861
Annual Rate of Change - Percent	-2.4	3.0	0.9	3.6	5.2
Per Capita - 1971 Dollars	5,284	5,364	5,341	5,475	5,740
Agricultural GDP	1,276	1,207	1,029	1,117	1,407
Annual Rate of Change - Percent	2.2	-5.4	-14.8	8.5	26.0
Non-Agricultural GDP	3,898	4,122	4,349	4,456	4,454
Annual Rate of Change - Percent	-3.8	5.8	5.5	2.4	0.0
Personal Income					
- Millions of Dollars	12,129	12,430	12,975	14,417	15,238
Per Capita - Dollars	12,388	12,510	12,886	14,165	14,925
Farm Cash Receipts					
- Millions of Dollars	4,028	3,965	4,354	4,101	4,130
Value of Manufacturing Shipments					
- Millions of Dollars	2,488	2,616	2,850	2,874	2,887
Value of Retail Sales					
- Millions of Dollars	4,042	4,357	4,354	4,704	4,999
Value of Mineral Sales					
- Millions of Dollars	2,380	2,811	3,651	3,802	2,531
Private and Public Investment					
- Millions of Dollars	4,906	5,222	5,236	5,503	5,075
Housing Starts					
- Units	6,822	7,269	5,221	5,354	5,510
Consumer Price Index - Annual Percentage Change					
Regina	9.0	6.4	4.4	3.7	2.1
Saskatoon	9.0	6.3	3.5	3.5	4.1
Canada	10.8	5.8	4.4	4.0	4.1
Population and Labour Force - Thousands					
Population**	979	994	1,007	1,018	1,021
Labour Force***	455	470	477	491	495
Employed Labour Force***	426	436	439	452	457
Unemployed Labour Force***	28	35	38	40	38
Unemployment Rate - Percent* **					
Saskatchewan	6.2	7.4	8.0	8.1	7.7
Canada	11.0	11.9	11.3	10.5	9.6

* Preliminary.
** As of June 1.
*** Annual averages.
Sources: Saskatchewan Bureau of Statistics.
Saskatchewan Energy and Mines.
Statistics Canada.

Personal Income, Saskatchewan

(Millions of Dollars)

	1982	1983	1984	1985	1986*
Wages, Salaries and Supplementary Labour Income**	6,536	6,946	7,367	7,712	7,918
Net Income Received by Farm Operators from Farm Production***	1,069	664	312	866	1,271
Net Income of Non-Farm Unincorporated Business	539	655	720	815	835
Interest, Dividends and Miscellaneous Investment Income	2,063	1,917	2,175	2,410	2,512
Current Transfers from Government, Corporations and Non-Residents	1,923	2,248	2,401	2,614	2,702
Total	12,129	12,430	12,975	14,417	15,238

* Preliminary.
** Includes military pay and allowances.
*** Includes adjustments to Gross Domestic Product basis.

Note: Calculated on the basis of Gross Domestic Product. Components may not add to totals due to rounding.
Source: Saskatchewan Bureau of Statistics.

Farm Income, Saskatchewan

(Millions of Dollars)

	1982	1983	1984	1985	1986*
Wheat**	2,458	2,548	2,427	1,683	1,620
Barley**	257	275	205	196	270
Canola and Rapeseed	254	273	390	410	276
Other Crops	119	139	175	155	160
Total Crops	3,087	3,235	3,198	2,444	2,325
Cattle, including Calves	525	468	524	488	497
Hogs	90	78	98	96	108
Other Livestock and Livestock Products***	125	130	143	142	156
Total Livestock and Livestock Products	740	676	764	726	760
Advances, Deferments, Supplementary Payments and Other Cash Receipts****	200	54	392	931	1,045
Total Farm Cash Receipts	4,028	3,965	4,354	4,101	4,130
Income in Kind	43	40	41	41	45
Operating and Depreciation Expenses	(3,084)	(3,251)	(3,346)	(3,442)	(3,437)
Realized Net Farm Income	987	754	1,049	699	739
Value of Inventory Change	122	(171)	(715)	178	696
Total Net Farm Income	1,109	582	334	878	1,435

* Preliminary.
** Includes Canadian Wheat Board payments.
*** Includes, sheep, lambs, dairy products, poultry, eggs and other livestock products.
**** Includes stabilization and insurance payments, net advances and deferments.

Note: Components may not add to totals due to rounding.
Source: Statistics Canada.

Value of Manufacturing Shipments, Saskatchewan

(Millions of Dollars)

	1982	1983	1984	1985	1986*
Food	784	817	955	984	985
Metal Fabrication	108	104	107	109	126
Machinery	x	158	156	146	168
Non-Metallic Mineral Production	103	113	108	101	108
Chemicals	99	119	114	113	126
Other	1,394**	1,304	1,411	1,422	1,373
Total	2,488	2,616	2,850	2,874	2,887

x Not released separately.
* Preliminary.
** Includes machinery.

Note: Components may not add to totals due to rounding.
Source: Statistics Canada, *Inventories, Shipments and Orders in Manufacturing Industries.*

Private and Public Investment, Saskatchewan

(Millions of Dollars)

	1982	1983	1984	1985	1986*
Agriculture	1,065	1,082	1,089	922	883
Mining	870	944	1,017	1,253	636
Manufacturing	144	160	157	180	283
Utilities	1,028	992	886	983	999
Trade, Finance and Commercial Services	381	428	519	493	530
Housing**	719	901	800	813	808
Institutions and Government Departments	594	605	661	744	812
Other	105	110	106	115	125
Total	4,906	5,222	5,236	5,503	5,075

* Preliminary.
** Revised by Statistics Canada to include additional amounts representing housing alterations and improvements.

Note: Components may not add to totals due to rounding.
Source: Statistics Canada, *Private and Public Investment in Canada.*

Value of Mineral Sales, Saskatchewan

(Millions of Dollars)

	1982	1983	1984	1985	1986*
Crude Oil	1,291	1,772	2,164	2,399	1,159
Potash	643	686	829	622	552
Uranium	251	121	354	453	457
Coal	62	73	98	86	83
Sodium Sulphate	44	39	34	30	30
Natural Gas	24	50	89	120	169
Other	65	70	83	92	80
Total	2,380	2,811	3,651	3,802	2,531

* Preliminary.

Note: Components may not add to totals due to rounding.
Source: Saskatchewan Energy and Mines.

Crude Oil Statistics, Saskatchewan

	1982	1983	1984	1985	1986*
Value of Land Sales - Millions of Dollars	34	108	124	149	18
Oil Field Expenditures - Millions of Dollars	244	443	746	1,027	317
Wells Drilled - Number**	808	1,843	2,970	3,851	1,079
Crude Oil Production - Millions of Cubic Metres					
Light Gravity	2.3	3.0	3.4	3.9	4.1
Medium Gravity	3.1	3.3	3.8	3.8	3.9
Heavy Gravity	2.7	3.2	3.6	3.9	3.8
Total	8.1	9.5	10.8	11.6	11.8

* Preliminary.
** Includes all drilling.

Note: Components may not add to totals due to rounding.
Source: Saskatchewan Energy and Mines.

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1987 Saskatchewan Tax Initiatives

General Description

The purpose of this paper is to provide a more detailed description of the tax changes outlined in the Budget. This is a concise summary only and the reader is advised to consult the amending legislation for exact information.

Income Tax

Saskatchewan Tax Reduction

- Effective January 1, 1987, the Saskatchewan Tax Reduction is substantially altered to provide greater benefits to Saskatchewan families and senior citizens.
- A description of the new Saskatchewan Tax Reduction is illustrated below.
- This tax change will result in additional benefits of $7.0 million for the 1987 tax year.

Flat Tax

- Effective January 1, 1987, the Flat Tax rate is increased from 1.0% to 1.5% of Net Income.
- This tax change will result in additional revenues of $51.2 million for the 1987 tax year.

Both of these measures will be reflected in the tax withholding tables commencing July 1, 1987. Their impact on an individual's tax payable will be doubled for the remainder of 1987 so that the full year effect of these changes will be realized in the current tax year.

All enquiries regarding the personal income tax changes should be directed to:

Saskatchewan Finance
Taxation and Economic Policy
6th Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6720

Saskatchewan Tax Reduction

The Saskatchewan Tax Reduction will apply to all individual taxfilers resident in Saskatchewan and will not be refundable. It is drafted as it may appear on the 1987 Saskatchewan income tax form.

Subtract: Saskatchewan Tax Reduction

Saskatchewan Sales Tax Reduction $ 200.00

Family Tax Reductions:

- Spousal Tax Reduction - claim $300 if the married exemption or the married equivalent exemption was claimed by you $ _____.
- Child Tax Reduction - claim $200 for each dependent child resident in Canada, born in 1970 or later and claimed by you (Partial exemption claims must exceed 50% of the maximum available deduction) $ _____.
- Senior Citizen Tax Reduction - claim $200 if you were born in 1922 or earlier $ _____.

Total Saskatchewan Tax Reduction $ _____.

Subtract: Net Income (line 224 of your tax return) $ _____.

Subtract $10,000.00

(if amount is negative, enter zero) $ _____. x 5% = $ _____.

Net Saskatchewan Tax Reduction $ _____.

Corporate Capital Tax

- Effective January 1, 1987, the tax rate levied on the taxable paid-up capital of trust and loan companies is increased from 1.2% to 3.0%.
- This will make the tax rate levied on trust and loan companies the same as that levied on banks.
- For trust and loan companies with taxation years which straddle January 1, 1987, a proration will be required with the lower 1.2% rate levied on that portion of the company's fiscal period ending December 31, 1986 and the higher 3.0% rate levied on the remainder of the fiscal period.
- This tax change will result in additional revenues of $2.2 million in 1987-88.

All enquiries regarding the corporate capital tax change should be directed to:

Saskatchewan Finance
Revenue Division
3rd Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6540

Tobacco Tax

- Effective midnight Budget night, the tax rate levied on tobacco products is increased.
- The specific tax increases are:

  For cigarettes, the tax rate is increased from $1.02 to $1.17 per package of 25 cigarettes;

  For cut tobacco, the tax rate is increased from 1.65¢ to 1.9¢ per gram; and,

  For cigars, the tax rate is adjusted as follows:

Retail Value	Previous Rate	New Rate
20¢ or less	13¢/cigar	15¢/cigar
21¢ - 40¢	33¢/cigar	30¢/cigar
41¢ - 60¢	60¢/cigar	45¢/cigar
More than 60¢	60¢/cigar	75% of retail value

- These tax changes will result in additional revenues of $9.0 million in 1987-88.

All enquiries regarding the tobacco tax changes should be directed to:

Saskatchewan Finance
Revenue Division
3rd Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-4600

Education and Health Tax

- Effective midnight Budget night, the Education and Health Tax rate is increased from 5% to 7%. No changes are being made to the Education and Health Tax base.
- Effective midnight Budget night, the mobile home refund program is cancelled.
- These tax changes will result in additional revenues of $100.0 million in 1987-88.

All enquiries regarding the Education and Health Tax changes should be directed to:

Saskatchewan Finance
Revenue Division
2nd Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6645
or 787-6650

Fuel Tax

- Effective June 22, 1987, a fuel tax will be introduced at a rate of 7.0¢ per litre. It will apply on gasoline, diesel fuel and other motive fuels.
- Effective June 22, 1987, the tax on locomotive diesel fuel will be increased from 13.6¢ to 15.0¢ per litre.
- Effective June 22, 1987, the tax on aviation fuel will be increased from 2.9¢ to 7.0¢ per litre. In addition, both private and commercial users will be subject to the new rate.

- Farmers and primary producers of renewable resources (forestry, commercial fishing, hunting and trapping) will be permitted an exemption from the fuel tax on their commercial purchases from bulk fuel dealers.

- Saskatchewan individuals, including farmers, will be entitled to an annual rebate of tax on their personal in-province purchases of fuel.

- Fuels used for heating, cooking and lighting will be exempt from tax.

- This tax initiative will result in additional revenues of $110.4 million in 1987-88.

All enquiries regarding the fuel tax, farm and primary producer exemption and individual rebate should be directed to:

Saskatchewan Finance
Revenue Division
2nd Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6645
or 787-6650

1987 Tax Changes and the Saskatchewan Family

Introduction

The 1987-88 Budget contains a number of changes to the Saskatchewan tax system which will affect Saskatchewan families. The purpose of this paper is to illustrate the combined effects of the tax measures in this Budget on families with different incomes.

Specifically, this paper addresses the following tax changes:

- the increase in the Education and Health Tax from 5 per cent to 7 per cent;
- the increase in the Saskatchewan Flat Tax from 1.0 per cent to 1.5 per cent; and,
- the creation of the new Saskatchewan Tax Reduction with a Sales Tax Reduction component of $200 and Family Tax Reduction components with basic values of $300 for dependent spouses (or another family member claimed as the married equivalent), $200 per dependent child, and $200 for senior citizens.

The analysis focuses on a Saskatchewan family consisting of two adults, one earning an income, and two children. The earned income of this family is varied to illustrate the effect of the tax changes on different income groups.

The impacts of tax changes often are described by isolating and illustrating the effect of each measure on its own. However, policy decisions are not made on this basis. This Budget contains revenue initiatives that are designed to ensure an equitable and efficient distribution of taxes through the combined effects of a series of changes.

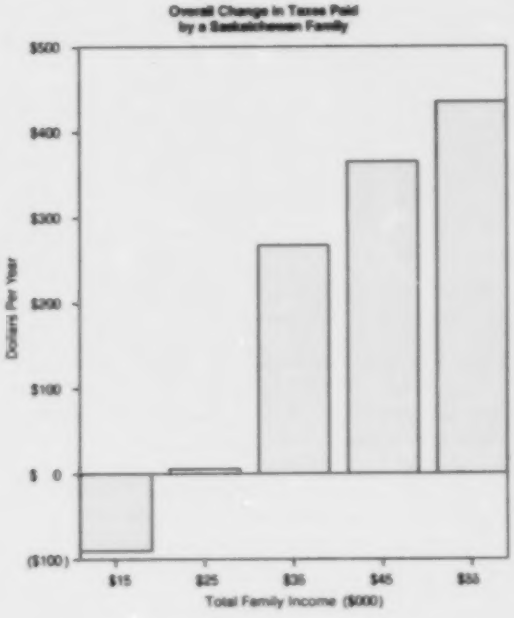
In short, the tax system must be viewed in its entirety to understand fully the implications of Budget decisions. The changes in this Budget take significant steps toward increased fairness in our current tax system. Fairness will continue to be an important objective as federal tax reform initiatives lead to further review of the Saskatchewan tax system.

Overall Impact of the Changes

The overall effect of the tax changes improves the situation of lower income families while shifting more of the burden of taxation toward higher income earners.

After all tax changes are considered, a family of four with an income of $15,000 pays $86 less tax. At $25,000, the tax changes represent an overall increase of $4, only 8 cents per week. The increase in taxes rests predominantly on higher income earners.

The combined impact of the Education and Health Tax and Income Tax changes in the Budget can be seen in the chart below.

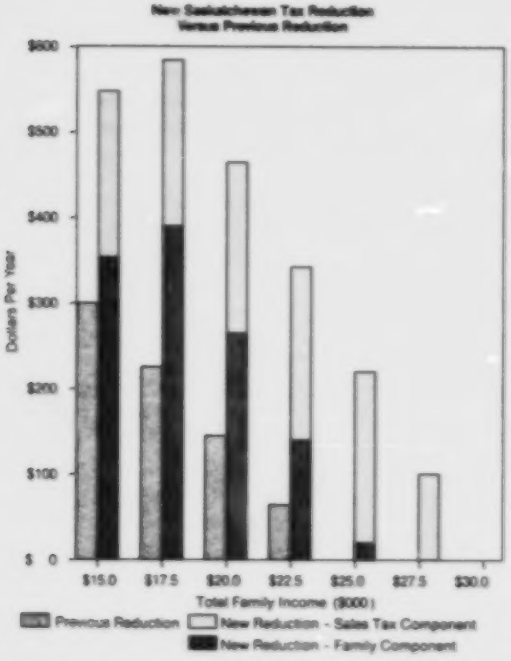


The Saskatchewan Tax Reduction

The primary reason for the improved tax distribution resulting from this year's tax measures is the creation of the new Saskatchewan Tax Reduction for 1987, featuring:

- a new Sales Tax Reduction component of $200; and,
- an enriched Family Tax Reduction component for homemakers, children, and senior citizens.

These changes to the personal income tax system improve the level and distribution of benefits for many Saskatchewan families, as described in the following chart.



While the previous Tax Reduction resulted in a saving of $304 for a family earning $15,000, the new Saskatchewan Tax Reduction will save this same family $547.

The benefits of the new Tax Reduction extend upwards through the income ranges. While the previous reduction ceased to provide tax relief to this family at an income of $24,725, the new Tax Reduction continues to benefit similar families earning up to $29,592. The new Tax Reduction will benefit 330,000 Saskatchewan taxpayers.

The Education and Health Tax

The Education and Health Tax has been increased from 5 per cent to 7 per cent. Since this is a tax on consumption, the exact impact of the rate increase on any particular family will depend on the composition and amount of that family's expenditures on goods and services. The Education and Health Tax change will result in an absolute tax increase which is greater for higher income families than for lower income families. This reflects two important factors:

- basic necessities such as food, clothing, electricity and home heating are exempt from the tax; and,
- higher income families generally spend more than lower income families.

The Saskatchewan Flat Tax

On June 2, it was announced that the Saskatchewan Flat Tax would increase for 1987 to 1.5 per cent of an individual's Net Income.

Since the Flat Tax is proportionate to Net Income, a family's tax payments rise with income. However, due to the interaction of the Flat Tax with the Saskatchewan Surtax, an even greater tax increase is borne by higher income earners.

For lower income families, the new Saskatchewan Tax Reduction entirely offsets the increase in the Saskatchewan Flat Tax. The Flat Tax increase, coupled with the enhancements to the Saskatchewan Tax Reduction, shifts the tax burden away from the lower end of the income scale.

Interprovincial Comparison of Taxes and Charges

The tax changes in this year's Budget, which have been necessitated by the Province's fiscal situation, are designed carefully to achieve the desired result of generating revenue while continuing to protect lower and middle income families in Saskatchewan. The overall effect has been to shift greater responsibility for taxes to higher income earners.

With the combined effect of these tax changes, Saskatchewan continues to have the lowest personal taxes and charges in Canada for lower and middle income families.

In the following pages, the overall tax bill paid by Saskatchewan residents is compared with the tax systems of other provinces. When combined with the costs of our basic utilities, the advantageous situation of Saskatchewan families becomes apparent.

The following tables show the amounts that an average Saskatchewan family of two adults and two children at income levels of $20,000, $35,000 and $50,000 would pay under the taxes and charges in effect in other provinces.

Overall, Saskatchewan has the lowest personal taxes and charges at the $20,000 and $35,000 income levels and the second lowest at the $50,000 level.

This can be attributed to a number of factors, including the rebate of fuel taxes to families and the increased progressivity of the personal income tax system resulting from the enhanced Saskatchewan Tax Reduction. In addition, all food and prepared meals, labour charges, home heating and electricity costs, and most clothing purchases are exempt from the Province's retail sales tax.

The lower-than-average tax burden is complemented by the lowest overall personal charges in the country for car insurance, telephone, home heating and electricity expenses.

TABLE 1: For a Taxpayer with Total Income of $20,000 per annum

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Provincial Income Tax	$ 799	$ 777	$ 594	$ 760	$ 776	$ 438	$ 900	$ 876	$ 853	$ 931
Tax Credits and Rebates	(380)	–	–	(513)	(226)	(22)	–	–	–	–
Health Premiums	504	432	–	–	714	–	–	–	–	–
Retail Sales Tax	248	–	260	439	402	423	524	477	385	695
Gasoline Tax	245	135	–	240	224	389	221	240	243	265
Total Taxes	$1,416	$1,344	$ 854	$ 926	$1,890	$1,228	$1,645	$1,593	$1,481	$1,891
Car Insurance	$ 694	$ 833	$ 459	$ 509	$1,022	$ 921	$ 594	$ 600	$ 472	$ 596
Telephone	175	111	97	87	147	133	121	141	136	126
Home Heating	825	591	650	857	1,062	1,197	1,854	1,757	1,789	1,949
Electricity	489	399	421	321	401	291	473	565	645	481
Total Charges	$2,183	$1,934	$1,627	$1,774	$2,632	$2,542	$3,042	$3,063	$3,042	$3,152
Total	**$3,599**	**$3,278**	**$2,481**	**$2,700**	**$4,522**	**$3,770**	**$4,687**	**$4,656**	**$4,523**	**$5,043**

TABLE 2: For a Taxpayer with Total Income of $35,000 per annum

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Provincial Income Tax	$2,390	$2,402	$2,821	$2,722	$2,320	$3,168	$2,691	$2,622	$2,552	$2,784
Tax Credits and Rebates	(380)	–	–	(353)	–	–	–	–	–	–
Health Premiums	504	432	–	–	714	–	–	–	–	–
Retail Sales Tax	344	–	370	587	553	567	720	657	523	954
Gasoline Tax	245	135	–	240	224	389	221	240	243	265
Total Taxes	$3,103	$2,969	$3,191	$3,196	$3,811	$4,124	$3,632	$3,519	$3,318	$4,003
Car Insurance	$ 694	$ 833	$ 459	$ 509	$1,022	$ 921	$ 594	$ 600	$ 472	$ 596
Telephone	175	111	97	87	147	133	121	141	136	126
Home Heating	825	591	650	857	1,062	1,197	1,854	1,757	1,789	1,949
Electricity	489	399	421	321	401	291	473	565	645	481
Total Charges	$2,183	$1,934	$1,627	$1,774	$2,632	$2,542	$3,042	$3,063	$3,042	$3,152
Total	**$5,286**	**$4,903**	**$4,818**	**$4,970**	**$6,443**	**$6,666**	**$6,674**	**$6,582**	**$6,360**	**$7,155**

TABLE 3: For a Taxpayer with Total Income of $50,000 per annum

	British Columbia	Alberta	Sask-atchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Provincial Income Tax	$4,383	$4,420	**$5,100**	$5,481	$4,256	$ 6,550	$4,936	$4,809	$4,681	$5,107
Tax Credits and Rebates	(380)	-	-	(325)	-	-	-	-	-	-
Health Premiums	504	432	-	-	714	-	-	-	-	-
Retail Sales Tax	439	-	**460**	715	665	680	873	796	639	1,148
Gasoline Tax	245	135	-	240	224	389	221	240	243	265
Total Taxes	$5,191	$4,987	**$5,560**	$6,111	$5,859	$ 7,619	$6,030	$5,845	$5,563	$6,520
Car Insurance	$ 694	$ 833	**$ 459**	$ 509	$1,022	$ 921	$ 594	$ 600	$ 472	$ 596
Telephone	175	111	**97**	87	147	133	121	141	136	126
Home Heating	825	591	**650**	857	1,062	1,197	1,854	1,757	1,789	1,949
Electricity	489	399	**421**	321	401	291	473	565	645	481
Total Charges	$2,183	$1,934	**$1,627**	$1,774	$2,632	$ 2,542	$3,042	$3,063	$3,042	$3,152
Total	**$7,374**	**$6,921**	**$7,187**	**$7,885**	**$8,491**	**$10,161**	**$9,072**	**$8,908**	**$8,605**	**$9,672**

NOTES:

The tables are based upon a taxpayer claiming a spouse and two children (one child aged 6 or under and one child aged 12-15). Total income includes earned income and family allowance payments (at 1987 rates). Earned income in Quebec and Alberta has been adjusted to compensate for the different family allowance payments in those provinces. In addition to personal exemptions, the employment expense deduction and CPP/QPP and UI contributions calculated at 1987 rates are deducted in computing tax. Gross Quebec personal income tax has been reduced by 16.5% of basic federal tax in respect of contracting out of certain federal-provincial programs. Provision is made in the calculation for provincial tax reductions, where applicable.

Tax credits and rebates refer to refundable provincial income tax credits and rebates designed to reduce the burden of property taxes, retail sales tax and provincial income tax. The taxpayer is assumed to own a home upon which $1,000 in property taxes are paid in 1987.

Health premiums are annual family premiums for hospital insurance and medical services. No provision is made for employer subsidization of these premiums.

Retail sales tax is based upon average expenditures for a Prairie family of four at the identified gross family income levels from **Survey of Family Expenditures in 1982** (Statistics Canada micro data file). The expenditures have been adjusted to reflect Saskatchewan consumption patterns. The sales tax base in each province was identified from the various provincial Acts. On this basis, estimates of total taxable family expenditures in each province were prepared.

Gasoline tax is based on an annual consumption of 2,700 litres of regular leaded gasoline.

The following cities were surveyed for the remaining charges: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, Halifax, Charlottetown and St. John's. All rates are as at May 1987 unless otherwise indicated.

Car insurance is based upon the rate for a married male, over 30 years of age, driving a 1984 Chevrolet Caprice Classic. Coverage includes $500,000 third party liability, $250 deductible collision and $50 deductible comprehensive.

The telephone charge is for the main telephone in an individual residence. Rates include applicable municipal taxes and surcharges but do not include provincial retail sales tax. Telephone charges for Saskatchewan include a $0.15 monthly Abilities Surcharge to fund special telephone services for the hearing and sight impaired.

Home heating charges assume an annual consumption of 168 mcf of natural gas. For the Atlantic Provinces, the figures represent the BTU equivalent consumption of fuel oil. Rates include applicable municipal taxes and surcharges but do not include provincial retail sales tax.

Charges for electricity are based upon an annual consumption of 7,200 kW.h. Rates include applicable municipal taxes and surcharges but do not include provincial retail sales tax.

1987 Saskatchewan Tax Expenditures

The Government of Saskatchewan provides a number of special provisions within its tax systems in order to achieve a variety of important social and economic objectives.

These provisions, which afford preferential or special tax treatment to specified individuals or corporations, are generally referred to as "tax expenditures". Tax expenditures can be in the form of exemptions, deductions, preferential tax rates, credits, deferrals or omissions.

Tax expenditures provide assistance to a broad group of individuals and corporations, including families, farmers, senior citizens and small businesses.

For 1987, the Province is introducing a major expansion of the Saskatchewan Tax Reduction to provide greater benefits to Saskatchewan families and senior citizens.

With the introduction of the fuel tax, the list of tax expenditures expands to include those associated with this tax. It should be particularly noted for these new tax expenditures that the amounts are only partial year expenditures, beginning June 22, whereas the others are based upon a full calendar year.

The expenditures associated with the sales taxes represent amounts based upon the two rates in effect during 1987.

Tax expenditures result in forgone or postponed revenue. Consequently, they have as significant an impact on the Province's budgetary position as a direct expenditure.

It is important to note that the effect of a series of tax expenditures cannot necessarily be obtained by adding together the revenue effects of the individual items. Due to the interrelationship among tax measures, particularly in the income tax system, the combined effect of two or more tax expenditures may be more or less than the sum of the separate effects. For example, the overall tax expenditure for the enhanced Saskatchewan Tax Reduction is $51 million, whereas the tax expenditures for the components of the Reduction add to a total of $55.7 million.

The following tables are intended to inform the Legislative Assembly and the people of Saskatchewan about the major tax expenditures of benefit to Saskatchewan residents.

The tax expenditure estimates were calculated using tax collection data and Statistics Canada data. A computer income tax simulation model was employed for the individual income tax measures.

Government of Saskatchewan
1987 Tax Expenditure Accounts
(Value of Tax Expenditures in Millions of Dollars)

Sales Taxes

Exemptions	
1. Clothing, footwear and yard goods	$ 35.0
2. Children's clothing and footwear	5.6
3. Construction services	111.5
4. Drugs and medicines	9.2
5. Electricity - residences, farms and recreation facilities	8.5
6. Farm machinery and repair parts	39.3
7. Fertilizer, pesticide and seed	42.7
8. Food	98.7
9. Personal services	16.2
10. Reading materials	6.0
11. Services for repairs to personal property	17.1
12. Used goods	19.4
13. Natural gas	21.3

Fuel Tax*

1. Exemption for farm activity	$ 35.7
2. Exemption for primary producers	0.4
3. Rebate to individuals	26.2
4. Exemption for heating fuels	16.5

* The fuel tax expenditures for 1987 represent the accrued expenditures between the introduction of the fuel tax on June 22 and December 31.

Individual Income Tax

Exemptions	
1. Basic exemption	$193.2
2. Marital exemption	23.5
3. Age exemption	17.2
4. Exemptions for dependants	14.9
Employment Expense Deductions	
1. General employment expense deduction	$ 20.2
2. Annual union, professional or like dues	4.6
3. Other employment expenses	5.8
Pension Deductions	
1. Canada Pension Plan contributions	$ 15.0
2. Registered Pension Plan contributions	17.7
3. Registered Retirement Savings Plan contributions	39.9
4. $1,000 pension income deduction	1.4
Medical and Charitable Deductions	
1. Medical expenses	$ 2.6
2. Charitable donations	12.6
Education Deductions	
1. Tuition fees	$ 1.2
2. $50 per month education deduction	0.6

Other Deductions	
1. Unemployment insurance premiums	$ 24.6
2. Forward averaging deduction	8.0
3. Child care expenses	2.4
4. $1,000 interest and dividends deduction	18.0
5. Moving expenses	0.8
6. Carrying charges	4.7
7. Dividend tax credit	28.5
8. $500,000 capital gains exemption	36.3
Provincial Tax Measures	
1. $200 sales tax reduction	$ 31.0
2. $300 spousal tax reduction	8.6
3. $200 per dependent child tax reduction	13.0
4. $200 per senior citizen tax reduction	3.1
5. Saskatchewan Tax Incentives Program	
- Venture Capital Tax Credit	12.0
- Livestock Investment Tax Credit	6.0
- Livestock Facilities Tax Credit	2.0
- Stock Savings Tax Credit	3.0
- Labour-sponsored Venture Capital Tax Credit	0.5
6. Savings from indexing*	4.2

* The savings from indexing are calculated for the 1987 tax system compared to 1986 and do not represent the cumulative savings since indexing was introduced in 1974.

Corporation Income Tax

1. Lower tax rate for small business	$ 25.2
2. Small Business Manufacturing and Processing Tax Reduction	5.5
3. Tax holiday for new small business corporations	2.0
4. Saskatchewan Royalty Tax Rebate	8.0
5. Resource Allowance	36.9
6. Fast write-off for Canadian exploration and development expenses and depletion allowances	37.9
7. Fast write-off for mining and manufacturing and processing assets	20.3

Corporation Capital Tax

1. General exemption of $10,000,000	$ 19.9
2. Exploration and development expense allowance	2.5
3. Exemption for federal Crown corporations	3.0
4. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	4.3

For further information on Saskatchewan's Tax Expenditures, contact:

Saskatchewan Finance
Taxation and Economic Policy Branch
6th Floor, 2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6720